EAGLE LEGEND ASIA

EAGLE LEGEND ASIA LIMITED
鵬程亞洲有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 936)

Annual Report 2017

CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTORS
Mr. Zeng Li *(Chairman)*
Mr. Winerthan Chiu
Mr. Chan Ka Lun

INDEPENDENT NON-EXECUTIVE DIRECTORS
Mr. Wan Tze Fan Terence
Mr. Tsui Robert Che Kwong
Ms. Yang Yan Tung Doris

COMPANY SECRETARY
Mr. Chan Tai Wah Calvin

AUTHORISED REPRESENTATIVES
Mr. Winerthan Chiu
Mr. Chan Tai Wah Calvin

PRINCIPAL BANKERS
Hong Kong
Standard Chartered Bank (Hong Kong) Limited
Chong Hing Bank Limited
DBS Bank (Hong Kong) Limited
United Overseas Bank Limited
Singapore
United Overseas Bank Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT IN THE CAYMAN ISLANDS
Estera Trust (Cayman) Limited
P.O. Box 1350, Clifton House
75 Fort Street, Grand Cayman KY1-1108
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG
Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

AUDIT COMMITTEE
Mr. Wan Tze Fan Terence *(Chairman)*
Mr. Tsui Robert Che Kwong
Ms. Yang Yan Tung Doris

REMUNERATION COMMITTEE
Ms. Yang Yan Tung Doris *(Chairman)*
Mr. Winerthan Chiu
Mr. Wan Tze Fan Terence

NOMINATION COMMITTEE
Mr. Zeng Li *(Chairman)*
Mr. Tsui Robert Che Kwong
Ms. Yang Yan Tung Doris

REGISTERED OFFICE
P.O. Box 1350, Clifton House
75 Fort Street, Grand Cayman KY1-1108
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG
Room 3607, 36/F.
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Wan Chai, Hong Kong

AUDITOR
BDO Limited

WEBSITE
http://www.elasialtd.com

STOCK CODE
936

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to present the annual results of Eagle Legend Asia Limited (the "Company") and its subsidiaries (collectively, the "Group") for the year ended 31 December 2017.

The revenue from continuing and discontinued operations of the Group recorded a total of approximately HK$245.5 million, representing an increase of approximately 14.4% comparing to approximately HK$214.6 million in 2016. Following the completion of acquisition of 51% shareholding interest in Best Earnest Investments Limited ("Best Earnest") on 23 December 2016, revenue from sales of dried exocarpium citri grandis of approximately HK$89.3 million was recorded for the year under review. Total loss for the year of the Group was significantly decreased to approximately HK$7.7 million from approximately HK$72.2 million in 2016. Loss for the year attributable to the owners of the Company was recorded at approximately HK$47.4 million compared to approximately HK$72.1 million in 2016.

The global economic growth was recorded at 3.3% in 2017, while Hong Kong economy expanded by 3.8% in 2017, compared with the growth for 1.9% for 2016; Singapore's gross domestic product ("GDP") grow to 3.6% in 2017, compared with 1.8% in 2016 and; the economy of People's Republic of China (the "PRC") recorded a growth of 6.9% in 2017. Notwithstanding the expansion of economies of Hong Kong and Singapore, our construction equipment businesses has faced intense price competition which led to the decrease in revenue in Hong Kong and Singapore segments in the year under review.

Regarding the Group's business in cultivation, research, processing and sale of exocarpium citri grandis (化橘紅), a Chinese herbal medicine, and its seedlings in Huazhou City, Guangdong Province, the PRC, I am delighted that in December 2017, 廣東大合生物科技股份有限公司 (for identification purpose, in English, Guangdong Dahe Biological Technologies Limited) ("Guangdong Dahe") was awarded as "Leading Enterprise" by the Guangdong Forestry Bureau of the PRC. As at 31 December 2017, the scale of exocarpium citri grandis cultivation business operated by Guangdong Dahe is among one of the biggest in Huazhou City with over 92,000 fruit trees on the total area of woodlands of 2,151.36 mu. With its edge in respect of resources and experience in the cultivation of exocarpium citri grandis, Guangdong Dahe is expected to provide a stable source of supply of the exocarpium citri grandis to meet with the growth of market demand and in turn providing a stable income stream to the Group.

Looking ahead, the Group will continue to strengthen and expand its exocarpium citri grandis cultivation business in the PRC, monitor and exercise its best effort in formulating appropriate strategy in its construction equipment business in both Hong Kong and Singapore. On the other hand, the Group will also continue to gear up to explore new business opportunities in the market and expand our business scope which aim to contribute a satisfying returns to the Shareholders in the long run.

The performance of the Company is contributed by the dedicated efforts of our management and staff and the strong support from all sectors of the business community. On behalf of the board of directors (the "Board" or the "Director(s)") of the Company, I would like to express our sincere appreciation to all the Company's stakeholders for your support over the years and look forward to your continued support for the future.

Zeng Li
Chairman

Hong Kong
16 March 2018

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONAL AND FINANCIAL REVIEW

Overall Performance

For the year ended 31 December 2017, the Group generated revenue from continuing operations of approximately HK$206.8 million (2016: approximately HK$156.2 million) with a loss for the year from continuing operations of approximately HK$8.0 million (2016: approximately HK$64.3 million). Revenue from discontinued operation recorded approximately HK$38.7 million (2016: approximately HK$58.5 million) with a profit from discontinued operation of approximately HK$0.3 million (2016: loss of approximately HK$7.9 million).

Business Review

For the year ended 31 December 2017, the Group recorded revenue from continuing operations of approximately HK$206.8 million compared to approximately HK$156.2 million achieved in the previous year, and revenue from discontinued operation of approximately HK$38.7 million compared to approximately HK$58.5 million recorded in the previous year.

Following the completion of acquisition of 51% shareholding interest in Best Earnest on 23 December 2016, the Group recorded revenue from sales of dried exocarpium citri grandis of approximately HK$89.3 million in the year under review. The revenue recorded were contributed by Guangdong Dahe, an indirect subsidiary of Best Earnest, which is principally engaged in the cultivation, research, processing and sale of exocarpium citri grandis, a Chinese herbal medicine, and its seedlings in Huazhou City, Guangdong Province, the PRC. Guangdong Dahe operates with over 92,000 fruit trees of exocarpium citri grandis on a total area of woodlands of 2,151.36 mu as at 31 December 2017, which is among one of the biggest cultivation business in its industry in Huazhou City.

Revenue from sales of machinery of approximately HK$28.4 million was recorded for the year under review which represented a decrease of approximately 47.9% compared to 2016. The decrease in sales was mainly due to the persistently low monthly rental rates which encouraged the Group's customers, such as construction companies to rent tower cranes instead of purchasing new tower cranes, and the softer demand of used cranes than the previous years by virtue of the downturn of the Korean construction market in 2017 where our major used tower cranes customers are situated in.

Rental income from leasing of machinery decreased from approximately HK$68.6 million to approximately HK$56.5 million for the year under review, representing a decrease of approximately 17.6% year over year due to downward rental adjustment in Singapore.

Revenue from sales of spare parts and service income recorded a slight decrease of approximately 2.2% and 1.6% for the year under review to approximately HK$5.4 million and HK$27.2 million, respectively. The decreases were mainly due to the decreasing demand of spare parts according to customer's specific requirements and demand of services, including chargeable erection, climbing and dismantling activities.

On 15 August 2017, the Group completed the disposal of its business in manufacturing and sales of proprietary Chinese medicines and health products (the "Discontinued Operation") after considering its declined profitability and its loss position in recent years. The revenue from the Discontinued Operation was approximately HK$38.7 million compared to approximately HK$58.5 million recorded in the previous year.

MANAGEMENT DISCUSSION AND ANALYSIS

Dividend

The Directors do not recommend the payment of any dividend for the year ended 31 December 2017 (2016: Nil).

FINANCIAL REVIEW

Results for the Year

As detailed in the section headed "Business Review" above, the Group recorded a loss from continuing operations of approximately HK$8.0 million (2016: approximately HK$64.3 million) and a profit from Discontinued Operation of approximately HK$0.3 million (2016: loss of approximately HK$7.9 million).

For the year ended 31 December 2017, the Group's other income and gains from continuing operations amounted to approximately HK$12.3 million, representing an increase of approximately 556.0% compared to that of 2016. The increase was mainly attributable to the exchange gain, gain on early settlement of promissory note payable and amortisation of deferred government grants for acquisition of property, plant and equipment.

The Group's property, plant and equipment amounted to approximately HK$511.0 million, representing a decrease of approximately 2.2% compared to that of 2016. The depreciation charges and staff costs from the continuing operations for the year under review increased by approximately HK$14.0 million and HK$4.6 million, respectively, as compared to the amounts for the previous year.

Finance costs from continuing operations amounted to approximately HK$49.8 million for the year ended 31 December 2017, representing an increase of approximately 94.3% compared to that of 2016. Finance costs from discontinued operation amounted to approximately HK$0.6 million for the year ended 31 December 2017, representing a decrease of approximately 55.9% compared to that of 2016.

Liquidity and Financial Resources

The Group held cash and cash equivalents of approximately HK$152.6 million as at 31 December 2017 (2016: approximately HK$198.5 million).

The total equity of the Group increased to approximately HK$496.0 million as at 31 December 2017 (2016: approximately HK$377.8 million).

As at 31 December 2017, the Group had net current liabilities of approximately HK$14.0 million (2016: net current assets of approximately HK$61.3 million).

Capital Structure

As at 31 December 2017, the Company had a total of 1,060,000,000 issued shares (the "Shares", each, a "Share") at HK$0.01 each (2016: 960,000,000 Shares).

On 11 October 2017, the Company and Mr. He Xiao Yang ("Mr. He"), a connected person (as defined in the Listing Rules) of the Company by virtue of him being a substantial shareholder holding a 49% equity interest in Best Earnest, an indirect 51%-owned subsidiary of the Company, and a director of the group companies of Best Earnest, entered into a subscription agreement, pursuant to which Mr. He had conditionally agreed to subscribe for, and the Company had conditionally agreed to allot and issue, 100,000,000 subscription Shares at the subscription price of HK$1.10 per subscription Share (the "Subscription").

MANAGEMENT DISCUSSION AND ANALYSIS

The subscription Shares were allotted and issued under the specific mandate approved by the independent shareholders at the extraordinary general meeting of the Company held on 21 November 2017. The total consideration for the Subscription of HK$110,000,000 payable by Mr. He at the completion was set off against the total outstanding principal amount of the promissory note of HK$110,000,000 owed by the Company to Mr. He on a dollar-for-dollar basis.

Investment Position and Planning

During the year under review, the Group spent approximately HK$63.6 million for acquisition of plant and equipment (2016: approximately HK$40.1 million).

Save as disclosed below, the Group did not have any significant acquisition or disposal of subsidiaries and associated companies during the year under review.

Pursuant to the resolution passed in the board of management's meeting of Manta-Vietnam Construction Equipment Leasing Limited ("Manta-Vietnam"), an indirect 67% owned subsidiary of the Company, dated 10 January 2013, the board of management resolved to liquidate Manta-Vietnam (the "Liquidation"). As at the date of this report, the Liquidation is still in process.

On 23 December 2016, the Group acquired a 51% equity interest of Best Earnest from Mr. He, (the "Vendor") at a consideration of HK$220,000,000, of which HK$110,000,000 was satisfied by cash (the "Cash Consideration") and HK$110,000,000 was satisfied by promissory note (the "Promissory Note" and the "Acquisition", respectively). Pursuant to the conditional sale and purchase agreement dated 27 October 2016 (the "Acquisition Agreement"), the consideration has been held in escrow by the Company as a security for the performance by the Vendor of the guarantee that the net profit after tax attributable to the owners of Guangdong Dahe, a company established in the PRC with limited liability and an indirect 80%-owned subsidiary of Best Earnest, excluding changes in fair value of assets through profit or loss and government subsidies, prepared in accordance with the PRC generally accepted accounting principles for the year ended 31 December 2016 (the "Actual Profit"), shall be not less than RMB28.0 million (the "Profit Guarantee").

Pursuant to the certificate dated 22 February 2017 issued by 深圳大公會計師事務所 (for identification purpose, Shenzhen Dagong Certified Public Accountants), an auditor jointly engaged by the Group and the Vendor, the 2016 Actual Profit amounted to approximately RMB29.1 million. Accordingly, the Profit Guarantee has been fulfilled and the Cash Consideration and the Promissory Note were released to the Vendor in accordance with the terms of the Acquisition Agreement. Further details of the Acquisition have been disclosed in the Company's announcements dated 27 October 2016, 22 February 2017 and circular dated 21 December 2016.

On 1 August 2017, the Company entered into a sale and purchase agreement to dispose the entire issued share capital of Alpha Chance Limited ("Alpha Chance") and all debts, liabilities or obligations owed or incurred by Alpha Chance to the Company on or at any time prior to completion date of the disposal, whether actual or contingent and irrespective of whether the same is due and payable on completion of the disposal at an aggregate cash consideration of HK$40.0 million. Alpha Chance and its subsidiaries were principally engaged in the manufacturing and sale of proprietary Chinese medicines and health products in the PRC. The disposal was completed on 15 August 2017. Further details of the above transaction were disclosed in the Company's announcement and circular dated 1 August 2017 and 22 August 2017 respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

Gearing

The Group monitors capital using a gearing ratio, which is total debts (sum of carrying amounts of bonds payable, bank borrowings, other loans payables and finance lease payables) divided by total equity. As compared to that of 2016, the gearing ratio as at 31 December 2017 was decreased to 0.4 (2016: 0.7), mainly due to set-off of promissory note by the enlarged share capital for the year under review.

Pledge of Assets

The Group's banking facilities were secured by a building of the Group carried at cost with aggregated carrying amounts of approximately HK$35.7 million (2016: secured by buildings of the Group carried at cost and payments for leasehold land held for own use under operating leases with aggregated carrying amount approximately HK$83.7 million). The bonds of the principal amount of HK$100.0 million are secured by the equity interest of certain subsidiaries.

Exchange Rate Exposure

As at 31 December 2017, more than half of the revenue and part of assets and liabilities of the Group were denominated in currencies other than Hong Kong dollar. In particular, the revenue generated from our rental operations in Singapore is primarily denominated in Singapore dollar. Purchases of tower cranes, spare parts and accessories from suppliers were usually denominated in Euro or United States dollar. Revenue and purchases in our manufacturing and sales of proprietary Chinese medicines and health products and cultivation, research, processing and sales of exocarpium citri grandis and its seedlings in the PRC are denominated in Renminbi. For foreign currency purchases, hedging arrangements to hedge against foreign exchange fluctuations may be entered. However, no hedging arrangement was undertaken for revenue generated from our Singapore and PRC operations.

Treasury Policies

The Group generally finances its ordinary operations with internally generated resources or banking facilities. The interest rates of most of the borrowings and finance lease arrangement, if applicable, are charged by reference to prevailing market rates.

Contingent Liabilities

As at 31 December 2017, the Group and the Company did not have any significant contingent liabilities (2016: nil).

Commitments

As at 31 December 2017, the Group had total capital commitments of approximately HK$0.8 million related to the acquisitions of property, plant and equipment (2016: HK$7.8 million).

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2017, the Group had a total of 121 (2016: 306) employees in Hong Kong, Singapore, Vietnam and the PRC. The Group has not had any significant problems with its employees or disruptions due to labour disputes nor has it experienced difficulties in the recruitment and retention of experienced staff. The Group remunerates its employees based on industry practices. Its staff benefits, welfare and statutory contributions, if any, are made in accordance with individual performance and prevailing labour laws of its operating entities.

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE PROSPECTS

Regarding the Group's business in cultivation, research, processing and sale of exocarpium citri grandis, a Chinese herbal medicine, and its seedlings in Huazhou City, the PRC, the Group will continue to allocate its resources in strengthening the overall management, marketing and distribution network for business development in Guangdong Dahe, as well as exercise its best efforts in expanding its exocarpium citri grandis cultivation business. The Group will perform researches on optimising the productivity of its bearer plants and the quality of the produces by, including but not limited to, the implementation of modern technology and the use of different fertilisers which are appropriate to our plantation woodlands. The Group will also perform various market and technology researches in the development of new products using exocarpium citri grandis, as well as applying authentication certificates for its products, etc.

Moreover, in light of the promotion of exocarpium citri grandis as a local featured product by the local government of Huazhou City, and with the edge of Guangdong Dahe, in respect of its resources and experience in its cultivation business, the Group will continue to seek cooperation actively with the local government in expanding its cultivation and processing business, as well as contribute to the development of the market of exocarpium citri grandis in future. In December 2017, Guangdong Dahe was awarded as "Leading Enterprise" by the Guangdong Forestry Bureau of the PRC.

Regarding the Group's construction equipment business, despite the demand of the construction sector in Singapore signals a positive outlook based on the forecast by the Building and Construction Authority, our business performance, in particular, the recurring tower crane rental business is expected to be affected by the excess supply of tower cranes in the Singapore market which has continued to drag down the average monthly rental rate and hence the overall recurring rental income of our Singapore operation. The low-ball tendering approach adopted by certain competitors with excessive idle tower cranes since mid-2017 has also led to intense price competition. Based on the current market and competitor information available to us, there does not appear to have any indication of changes in the competitors' low-ball tendering approach and the excess supply of rental tower cranes in the market, and the Group expects the Singapore market will continue to be very challenging in the short and medium run.

Moreover, the use of Prefabricated Prefinished Volumetric Construction (PPVC) methodology is mandatory for selected non-landed residential Government Land Sale sites in Singapore from 1 November 2014 onwards pursuant to the Code of Practice on Buildability 2017 which requires the use of tower cranes with higher lifting capacity than our existing fleet. In light of the trend of using PPVC methodology, it is necessary to expand our fleet with tower cranes with higher lifting capacity in order for the Group to remain competitive in the Singapore market, the investment in which may require substantial capital expenditure.

On the other hand, the market demand for construction equipment in Hong Kong as well as the rental rate appears to be stable according to the Construction Industry Council research and its interim forecast. However, it is observed that the developers and construction companies in Hong Kong are adopting more stringent technical requirements on the safety use of tower cranes, including the stricter compliance of Code of Practice on Wind Effects in Hong Kong, and a more demanding compliance on the weathervaning position of luffing jib cranes. We expect that more stringent technical requirements may lead to additional capital expenditure to retrofit or to equip our existing cranes with the necessary technical specifications and parts.

MANAGEMENT DISCUSSION AND ANALYSIS

Notwithstanding the sale of used tower cranes is expected to be challenging due to the downward market demand, we will continue to review our tower crane fleet and dispose of certain aged tower cranes or tower cranes with smaller lifting capacity as part of our rental fleet streamlining strategy. We will also look into the capital expenditure and asset risk involved as well as potential return for investing in tower cranes with higher lifting cranes and upgrade our crane fleet to meet the latest industry trend and requirements in Singapore and Hong Kong to enhance our competitiveness.

Furthermore, the Group will also continue to monitor and review its existing businesses and proactively formulate appropriate strategy to gear up in exploring new business opportunities in the market, as to expand our business scope which aim to contribute a satisfying returns to the Shareholders of the Company (the "Shareholders") in the long run.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Zeng Li, aged 50, is the chairman of the Board (the "Chairman"). Mr. Zeng was appointed as an executive Director on 22 December 2014. He is also the chairman of the nomination committee of the Company (the "Nomination Committee") and a director of certain subsidiaries of the Company.

Mr. Zeng has over 20 years of working experience in the securities and finance industry in the PRC. He is the sole beneficial owner and the sole director of Harbour Luck Investments Limited ("Harbour Luck"), a controlling shareholder of the Company. Mr. Zeng graduated from Shenzhen University majoring in international finance trade. He is a member of The Hong Kong Institute of Directors.

Mr. Zeng is an uncle of Mr. Chan Ka Lun, an executive Director.

Mr. Winerthan Chiu, aged 62, was appointed as an executive Director on 22 December 2014. Mr. Chiu is also a member of the remuneration committee of the Company (the "Remuneration Committee"), an authorised representative of the Company under each of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and a director of certain subsidiaries of the Company.

Mr. Chiu has over 28 years of experience in investment and corporate management. Mr. Chiu was an executive director of China Primary Energy Holdings Limited (stock code: 8117, formerly known as "China Primary Resources Holdings Limited", "China Advance Holdings Limited" and "Billybala Holdings Limited"), a company listed on the Growth Enterprise Market of the Stock Exchange, from March 2004 to July 2008. Mr. Chiu graduated from a university with a bachelor's degree in 1982. He is a fellow member of The Hong Kong Institute of Directors.

Mr. Chan Ka Lun, aged 30, was first appointed as a non-executive Director on 22 December 2014 and re-designated as an executive Director with effect from 1 July 2015 and a director of certain subsidiaries of the Company.

Mr. Chan has 4 years of working experience in the securities and finance industry. He worked in the securities operations sector, involving in bond and equity capital markets, in China Securities (International) Finance Holding Company Limited from 2013 to 2014. Prior to that, Mr. Chan was employed by Fulbright Financial Group, responsible for securities settlement and customer relationship from 2010 to 2013. Mr. Chan graduated from The Hong Kong University of Science and Technology with a Bachelor's degree in industrial engineering and engineering management in 2010. He is a member of The Hong Kong Institute of Directors.

Mr. Chan is a nephew of Mr. Zeng Li, an executive Director and the Chairman.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wan Tze Fan Terence, aged 53, was appointed as an independent non-executive Director in December 2014. Mr. Wan is also the chairman of the audit committee of the Company (the "Audit Committee") and a member of the Remuneration Committee.

Mr. Wan holds a bachelor degree of commerce and a master degree of business administration. He has years of experience in accounting and financial management and has worked for international accounting firms and listed companies in Hong Kong. He is a fellow member of Hong Kong Institute of Certified Public Accountants and a Certified Practising Accountant of CPA Australia. He is also a fellow member of The Hong Kong Institute of Directors. Mr. Wan is also an executive director of Sino Oil and Gas Holdings Limited (stock code: 702) and an independent non-executive director of China Primary Energy Holdings Limited (stock code: 8117), both of which are listed on The Stock Exchange of Hong Kong Limited.

Mr. Tsui Robert Che Kwong, aged 64, was appointed as an independent non-executive Director on 22 December 2014. Mr. Tsui is also a member of each of the Audit Committee and the Nomination Committee.

Mr. Tsui has over 30 years of experience as practising solicitor in Hong Kong. Mr. Tsui is the founder and owner of Robert C.K. Tsui & Co., Solicitors, a law firm established in 1990. He was admitted to the Law Society of Hong Kong in 1985 and qualified to practise law in Anguilla, Caribbean in 2005. He is also a fellow member of The Hong Kong Institute of Directors. Mr. Tsui is currently an independent non-executive director of Chinney Kin Wing Holdings Limited (stock code: 1556), a company listed on the main board of the Stock Exchange. Mr. Tsui was also an executive director of Landing International Development Limited (stock code: 582, formerly known as "Greenfield Chemical Holdings Limited"), a company listed on the main board of the Stock Exchange, from November 2007 to November 2009. He was also an independent non-executive director of APAC Resources Limited (stock code: 1104, formerly known as "Shanghai Merchants Holdings Limited") and Gome Finance Technology Co., Ltd. (stock code: 628, formerly known as "Sino Credit Holdings Limited" and "Dore Holdings Limited"), from July 2004 to November 2007 and from August 2004 to July 2009 respectively, both of which are listed on the main board of the Stock Exchange.

Ms. Yang Yan Tung Doris, aged 48, was appointed as an independent non-executive Director on 22 December 2014. Ms. Yang is the chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee.

Ms. Yang has over 20 years of experience in handling company secretarial and internal control matters of listed companies in Hong Kong. She is a fellow member of The Hong Kong Institute of Chartered Secretaries with practitioner's endorsement and a fellow member of The Institute of Chartered Secretaries and Administrators, an associate member of The Association of Chartered Certified Accountants and a member of The Hong Kong Institute of Directors. She held the Certificate in Risk Management Assurance designation granted by The Institute of Internal Auditors. Ms. Yang is currently a director of Bloomy Corporate Consultant Limited, a company mainly engaged in providing company secretarial and management consultancy services; Green Grin Club Limited, a company principally engaged in provision of training services; Grin Kitchen Limited, a company principally engaged in philanthropic and volunteer activities; and Sky Vantage Development Limited, a company principally engaged in agribusiness and new economy business. Ms. Yang was an independent non-executive director of Tongfang Kontafarma Holdings Limited (stock code: 1312, formerly known as "Allied Cement Holdings Limited"), a company listed on the main board of the Stock Exchange, from December 2011 to July 2014. Ms. Yang graduated from University of Leicester, England with a Bachelor of Science (Economics) and obtained her Master of Science from the Chinese University of Hong Kong.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Chan Tai Wah Calvin, aged 37, is the Financial Controller of the Group and the Company Secretary of the Company. Mr. Chan is primarily responsible for the accounting, finance and company secretarial matters of the Group. He joined the Group in July 2013 and was appointed as the Company Secretary of the Company in July 2015. He has over 14 years of experience in accounting, auditing and corporate advisory services. Prior to joining the Group, he was an audit manager of a major international accounting firm in Hong Kong. Mr. Chan obtained his Bachelor Degree in Business Administration (major in Accountancy) from City University of Hong Kong. He is a practising fellow of the Hong Kong Institute of Certified Public Accountants, a member of the Institute of Chartered Accountants in England and Wales and an associate of The Hong Kong Institute of Directors.

Mr. Lo Chun Fai, aged 51, is the executive director of principal subsidiaries of the Company in Hong Kong and Singapore (the "Manta Group"). Mr. Lo joined Manta Group in January 2013 and is primarily responsible for the overall management functions of Manta Group's operations. He spent 7 years with PricewaterhouseCoopers Hong Kong in providing consulting services to a wide range of corporate clients investing in the PRC. Subsequent to this, Mr. Lo held various senior management positions in various industries and organisations. Prior to joining Manta Group, he was the finance director of Quality HealthCare Medical Services Limited. Mr. Lo obtained his Bachelor Degree in Economics (major in Accounting and Finance) from Monash University, Australia. He is a fellow member of CPA Australia and a member of the Hong Kong Institute of Certified Public Accountants.

REPORT OF THE DIRECTORS

The Directors are pleased to present their report and the audited consolidated financial statements of the Group for the year ended 31 December 2017 (the "Year").

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Group during the Year were (i) trading of construction machinery and spare parts, leasing of the construction machinery under operating lease, providing repair and maintenance services in respect of the construction machinery; (ii) manufacturing and sales of proprietary Chinese medicines and health products; and (iii) cultivation, research, processing and sales of exocarpium citri grandis and its seedlings. Details of the principal activities of the subsidiaries are set out in note 38 to the consolidated financial statements.

SEGMENT INFORMATION

Details of the segment information of the Group for the Year are set out in note 7 to the consolidated financial statements.

BUSINESS REVIEW

A review of the business of the Group during the Year, principal risks and uncertainties that the Group may be facing, and a discussion on the Group's future development are set out in the Chairman's Statement on page 3 and the Management Discussion and Analysis on pages 4 to 9 of this annual report. An analysis of the Group's performance during the Year using financial key performance indicators is set out in the Five-Year Financial Summary on pages 139 to 140 of this annual report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the Year, as far as the Board and management are aware, there was no material breach of or non-compliance with any applicable laws and regulations by the Group that has a significant impact on the businesses and operations of the Group.

RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group understands the importance of maintaining a good relationship with its employees, customers and suppliers to meet its immediate and long-term business goals. During the Year, there was no material and significant dispute between the Group and its employees, customers and suppliers.

ENVIRONMENTAL POLICIES AND PERFORMANCE

Details of the Company's environmental policies and performance are set out in the Environmental, Social and Governance Report on pages 32 to 44 of this annual report.

REPORT OF THE DIRECTORS

RESULTS AND DIVIDENDS

The financial performance of the Group for the Year and the financial position of the Group as at 31 December 2017 are set out in the consolidated financial statements on pages 51 to 138 of this annual report.

The Directors do not recommend the payment of any dividend for the Year (2016: Nil).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the Year are set out in note 16 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in the Company's share capital during the Year are set out in note 34 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association (the "Articles") or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new Shares on a pro rata basis to the existing Shareholders.

TAX RELIEF

The Company is not aware of any relief from taxation available to the Shareholders by reason of their holding of the Shares.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Year.

RESERVES

Details of the movements in the reserves of the Company and of the Group during the Year are set out in note 35 to the consolidated financial statements and the consolidated statement of changes in equity on page 55 of this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2017, the Company did not have a reserve available for distribution. Under the Companies Law, (2016 Revision) of the Cayman Islands, the share premium account of the Company of approximately HK$346.8 million as at 31 December 2017, is distributable to the Shareholders provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business. The share premium account may also be distributed in the form of fully paid bonus Shares.

REPORT OF THE DIRECTORS

MAJOR CUSTOMERS AND SUPPLIERS

For the Year, the sales attributable to the Group's five largest customers was approximately 32% with the largest customer accounted for approximately 9%; the purchase attributable to the Group's five largest suppliers was approximately 43% with the largest supplier accounted for approximately 17%.

Neither the Directors, any of their close associates (as defined in the Listing Rules) nor any Shareholders (which to the best knowledge of the Directors who owned more than 5% of the number of the Company's issued shares) had any beneficial interest in the Group's five largest customers and/or five largest suppliers during the Year.

DIRECTORS

The Directors during the Year and up to the date of this report were as follows:

Executive Directors

Mr. Zeng Li *(Chairman)*
Mr. Winerthan Chiu
Mr. Chan Ka Lun

Independent non-executive Directors

Mr. Wan Tze Fan Terence
Mr. Tsui Robert Che Kwong
Ms. Yang Yan Tung Doris

In accordance with article 108 of the Articles, Mr. Zeng Li and Ms. Yang Yan Tung Doris shall retire from office and, being eligible, offer themselves for re-election as Directors at the annual general meeting of the Company (the "AGM").

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received annual written confirmations from each of its independent non-executive Directors in respect of their independence during the Year pursuant to rule 3.13 of the Listing Rules and all of them are still being considered to be independent.

DIRECTORS' SERVICE AGREEMENTS

Each of Mr. Zeng Li, Mr. Winerthan Chiu and Mr. Chan Ka Lun, executive Directors, has entered into a service agreement with the Company for a term of two years unless terminated by either party by giving not less than one month's written notice to the other party. The service agreements of Mr. Zeng Li and Mr. Winerthan Chiu commenced on 22 December 2014 and each of their service agreements has been renewed on 22 December 2016. The service agreement of Mr. Chan Ka Lun commenced on 1 July 2015 and was renewed on 1 July 2017.

REPORT OF THE DIRECTORS

Each of the independent non-executive Directors has entered into a letter of appointment with the Company for a term of two years unless terminated by either party by giving not less than one month's written notice to the other party. All letters of appointment commenced on 22 December 2014 and have been renewed on 22 December 2016.

Each of the Directors is subject to the provisions for retirement by rotation and re-election at the AGM in accordance with the Articles.

Save as disclosed above, none of the Directors who are proposed for re-election at the forthcoming AGM has a service agreement with the Company, which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

Directors' fees are subject to shareholders' approval at general meetings of the Company. Other emoluments are determined by the Board by reference to the Directors' duties, responsibilities and performance and the results of the Group. Details of the Directors' remuneration are set out in note 15 to the consolidated financial statements.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles, the Directors shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty in relation thereto.

During the Year and up to the date of this report, the Company maintained liability insurance for the Directors to protect them from any loss to which they might be liable arising from their actual or alleged misconduct. A permitted indemnity provision as defined in the Hong Kong Companies Ordinance was in force for indemnity liabilities incurred by the Directors to a third party.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

None of the Directors nor any of their respective connected entities had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group, to which the Company or any of its holding company, subsidiaries or fellow subsidiaries was a party during or at the end of the Year.

CONTRACT OF SIGNIFICANCE

During the Year, the Company did not enter into any contract of significance with its controlling Shareholder (as defined in the Listing Rules) or any of its subsidiaries.

REPORT OF THE DIRECTORS

MANAGEMENT CONTRACTS

Save as the Directors' service agreements disclosed in this report, no other contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or in existence during the Year.

CONNECTED TRANSACTION

A transaction entered into by the Group constituted a connected transaction under Chapter 14A of the Listing Rules during the Year. Details of the connected transaction required to be disclosed (the "Transaction") are set out as follows:

Subscription Agreement

On 11 October 2017, the Company and Mr. He (the "Subscriber") entered into a subscription agreement (the "Subscription Agreement"), pursuant to which the Subscriber had conditionally agreed to subscribe for, and the Company had conditionally agreed to allot and issue, 100,000,000 subscription Shares at the subscription price of HK$1.10 per subscription Share (the "Subscription"). The total consideration for the Subscription of HK$110,000,000 payable by the Subscriber at completion would be set off against the total outstanding principal amount of the promissory note of HK$110,000,000 owed by the Company to the Subscriber on a dollar-for-dollar basis.

The Subscriber was a connected person (as defined in the Listing Rules) of the Company by virtue of him being a substantial shareholder holding a 49% equity interest in Best Earnest (an indirect 51%-owned subsidiary of the Company) and a director of the group companies of that company. Accordingly, the Subscription constituted a connected transaction of the Company under Chapter 14A of the Listing Rules and was subject to, among other things, the independent Shareholders' approval. The subscription Shares were allotted and issued under the specific mandate approved by the independent shareholders at the extraordinary general meeting of the Company held on 21 November 2017.

Further details of the Transaction were disclosed in the Company's announcements dated 11 October 2017, 21 November 2017, 23 November 2017 and circular dated 31 October 2017.

REPORT OF THE DIRECTORS

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVES OF THE COMPANY IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATIONS

As at 31 December 2017, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules were as follows:

Interests in the Shares

Long positions in ordinary Shares and underlying Shares

Name of Director	Number of Shares: Personal interest	Number of Shares: Corporate interest	Equity derivatives	Total	Approximate percentage of issued share capital of the Company *(Note 2)*
Mr. Zeng Li ("Mr. Zeng")	–	600,000,000 *(Note 1)*	–	600,000,000	56.60%

Notes:

1. These Shares were registered in the name of Harbour Luck which was wholly and beneficially owned by Mr. Zeng, an executive Director and the chairman of the Board.

2. The percentage is calculated on the basis of 1,060,000,000 Shares in issue as at 31 December 2017.

Save as disclosed above, as at 31 December 2017, none of the Directors or the chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

REPORT OF THE DIRECTORS

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS OF THE COMPANY AND OTHER PERSONS IN THE SHARES AND UNDERLYING SHARES

As at 31 December 2017, so far as is known to the Directors and the chief executives of the Company, the interests and short positions of the persons or corporations (other than the Directors and the chief executives of the Company) in the Shares and underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Name	Nature of interests/ Holding capacity	Number of shares	Approximate percentage of issued share capital of the Company *(Note 2)*
Substantial Shareholders:			
Harbour Luck	Beneficial owner	600,000,000	56.60%
Ms. Chen Xiong Yi ("Ms. Chen")	Interest of spouse	600,000,000 *(Note 1)*	56.60%
Other Persons:			
Mr. He	Beneficial owner	100,000,000	9.43%

Notes:

1. Ms. Chen is deemed to be interested through the interest of her spouse, Mr. Zeng (as disclosed above).

2. The percentage is calculated on the basis of 1,060,000,000 Shares in issue as at 31 December 2017.

Save as disclosed above, as at 31 December 2017, there were no other persons who (other than a Director or the chief executives of the Company) or corporations which had interests or short positions in the Shares and underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the section "INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVES OF THE COMPANY IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATIONS" above, at no time during the Year was the Company or any of its holding companies, subsidiaries a party to any arrangement to enable the Directors or the chief executive of the Company or any of their spouse or children under the age of 18 to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME

At the extraordinary general meeting held on 30 July 2015, the Company adopted a new share option scheme (the "Share Option Scheme") to replace the old share option scheme adopted on 25 June 2010 (the "Old Scheme") for the purpose of providing an incentive and/or a reward to eligible participants for their contributions to, and continuing efforts to promote the interest of, the Group. The eligible participants include (a) full-time or part-time employees of the Group (including any directors, whether executive or non-executive and whether independent or not, of the Group); (b) any business or joint venture partners, contractors, agents or representatives, consultants, advisers, suppliers, producers or licensors, customers, licensees (including any sub-licensee) or distributors, landlords or tenants (including any sub-tenants) of the Group; and (c) any person who, in the sole discretion of the Board, has contributed or may contribute to the Group. Further details of the Share Option Scheme are set out in the circular dated 13 July 2015.

The principal terms of the Share Option Scheme are as follows:

(i) The total number of Shares which may be allotted and issued upon exercise in full of the options to be granted under the Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of the total number of Shares in issue on the adoption date (i.e. 30 July 2015), unless the Company obtains the approval of the Shareholders in general meeting for refreshing the 10% limit under the Share Option Scheme provided that options previously granted under the Share Option Scheme and any other share option schemes of the Company (including those outstanding, cancelled and lapsed in accordance with the such schemes or exercised options) will not be counted for the purpose of calculating such 10% limit. The maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company, must not, in aggregate, exceed 30% of the total number of Shares in issue from time to time.

(ii) No Share Option shall be granted to any eligible participant if any further grant of options would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including such further grant would exceed 1% of the total number of Shares in issue with the substantial shareholders of the Company, independent non-executive Directors and their respective associates being subject to 0.1% of the number of Shares in issue and a total value of HK$5 million of the Shares.

(iii) A Share Option may be accepted by an eligible participant not later than 21 days from the date of grant. Upon acceptance of the option, a consideration of HK$10.00 shall be paid by the grantee to the Company.

(iv) A Share Option may be exercised in whole or in part in accordance with the terms of the Share Option Scheme at any time during the period to be determined and notified by the Board, which shall not be later than 10 years from the date of grant but subject to the provisions for early termination as contained in the Share Option Scheme. There is no specified minimum period for which an option must be held or the performance target which must be achieved before an option can be exercised.

(v) The subscription price shall be determined by the Board, but shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a Share.

(vi) The Share Option Scheme remains valid for a period of 10 years commencing from 30 July 2015.

REPORT OF THE DIRECTORS

As at 31 December 2017 and the date of this report, no share options have been granted under the Old Scheme.

As at the date of this annual report, no share options have been granted under the Share Option Scheme since its adoption and therefore, as at 31 December 2017 and the date of this report, there were no outstanding share options granted under the Share Option Scheme and no share options were exercised and cancelled or lapsed during the Year.

The total number of Shares available for issue under the Share Option Scheme is 80,000,000, representing 7.55% of the issued Shares as at the date of this annual report.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the Year and up to the date of this report, none of the Directors or their respective associates (as defined in the Listing Rules) had any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, at least 25% of the Company's issued share capital were held by members of the public as at the date of this report as required under the Listing Rules.

CORPORATE GOVERNANCE

Full details on the Company's principal corporate governance practices are set out on pages 22 to 31 of this annual report.

SUBSEQUENT EVENT AFTER THE REPORTING PERIOD

On 14 December 2017, a subsidiary of the Group entered into a unsecured loan facility letter with an independent third party in relation to the provision of loan facility of HK$35,000,000 bearing interest at the rate of one-month Hong Kong Interbank Offered Rate plus 4.5% per annum (the "Facility"). On 26 January 2018, HK$15,000,000 was drawn down by a subsidiary of the Group. Details of the Facility are set out in note 47 to the consolidated financial statements.

INDEPENDENT AUDITOR

A resolution will be proposed at the forthcoming AGM to re-appoint BDO Limited as the independent auditor of the Company.

The consolidated financial statements for the Year have been audited by BDO Limited who will retire and, being eligible, offer themselves for reappointment, at the AGM.

ON BEHALF OF THE BOARD

Zeng Li
Chairman

Hong Kong, 16 March 2018

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company believes that good corporate governance will not only improve management accountability and investor confidence, but will also lay a good foundation for the long-term development of the Company. Therefore, the Company will strive to develop and implement effective corporate governance practices and procedures.

During the Year, the Company complied with the applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiries, all Directors confirmed that they had complied with the required standard set out in the Model Code throughout the Year.

THE BOARD OF DIRECTORS

The Board

The Board takes full responsibility for supervising and overseeing all major matters of the Company, including any acquisitions or disposal of businesses, investments, formulating and approving of overall management and operation strategies, reviewing the internal control and risk management systems, reviewing financial performance, considering dividend policies and monitoring the performance of the senior management, while the management is responsible for the daily management and operations of the Group.

The Board has established Board committees and has delegated to these Board committees various responsibilities as set out in their respective terms of reference which are published on the respective websites of the Stock Exchange and the Company, The Board may from time to time delegate certain functions to management of the Group if and when considered appropriate.

The Directors have full access to information of the Group and management has an obligation to supply the Directors with adequate information in a timely manner to enable the Directors to perform their responsibilities. The Directors are entitled to seek independent professional advice in appropriate circumstances at the Company's expense.

Chairman and Chief Executive

The CG Code provision stipulates that the roles of chairman and chief executive officer ("CEO") should be separate and should not be performed by the same person. Currently, Mr. Zeng Li is the chairman of the Board (the "Chairman") and the senior management of the Company takes up the roles of the CEO. The Chairman is responsible for overseeing the functioning of the Board while the roles of the CEO is responsible for managing the Group's businesses. The Board believes this structure will not impair the balance of power and authority between the Board and the Management, and will continuously review the effectiveness of this structure.

Board Composition

Currently, the Board comprises six members with a suitable breadth of background and professional experience from the financial, legal, accounting and commercial sections.

CORPORATE GOVERNANCE REPORT

The Directors who served the Board during the Year and up to the date of this report are named as follows:

Executive Directors

Mr. Zeng Li *(Chairman)*
Mr. Winerthan Chiu
Mr. Chan Ka Lun

Independent non-executive Directors

Mr. Wan Tze Fan Terence
Mr. Tsui Robert Che Kwong
Ms. Yang Yan Tung Doris

Mr. Zeng Li is an uncle of Mr. Chan Ka Lun. Apart from that, there is no other relationship, including financial, business, family or other material/relevant relationships among the Board members.

The brief biographical details of the Directors are set out in the "Biographical Details of Directors and Senior Management" on pages 10 to 12 of this annual report. The updated list of Directors and their role and function were published on the websites of the Stock Exchange and the Company.

The Chairman, being an executive Director will at least annually hold one meeting with the INEDs without the presence of other executive Directors.

In compliance with code provision A.1.8 of the CG Code, the Company has subscribed appropriate and sufficient insurance coverage on Directors' liabilities in respect of legal actions taken against Directors arising out of corporate activities.

Appointment and Re-election of Directors

The Board is empowered under the Articles to appoint any person, as a Director, either to fill a casual vacancy or as an additional member of the Board. The Company has set up a Nomination Committee for formulating nomination policy for consideration of the Board and making recommendations to the Board on the selection, appointment and re-appointment of Directors. In accordance with Articles, any Director newly appointed shall hold office only until the next following annual general meeting of the Company and shall be eligible for re-election. Furthermore, nearest one-third of the Directors, including those appointed for a specific term, shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. Retiring Directors shall be eligible for re-election at the AGM.

The term of office of all Directors is two years, subject to retirement by rotation, whichever is the earlier. Each of the Directors is appointed by a service contract or a letter of appointment setting out the key terms and conditions of his/her appointment.

CORPORATE GOVERNANCE REPORT

Directors' Training and Professional Development

During the Year, the Company had organised in-house training conducted by The Hong Kong Institute of Directors for the Directors and senior executives, to develop and refresh the Directors' knowledge and skills with an emphasis on the roles, functions and duties of a director of a listed company in compliance with code provision A.6.5 of the CG Code. To ensure Directors' compliance with the Listing Rules and strengthen the Directors' awareness of good corporate governance, the Company continuously updates Directors on the latest developments of the Listing Rules and other applicable regulatory requirements by issuing to them circulars, guidance notes and reading materials.

During the Year, the Directors participated in the following training as per their records provided to the Company:

Directors	Attending in-house briefings	Attending relevant training conducted by professional parties	Reading materials relevant to director's duties and responsibilities
Executive Directors			
Mr. Zeng Li	✓	✓	✓
Mr. Winerthan Chiu	✓	✓	✓
Mr. Chan Ka Lun	–	✓	✓
Independent non-executive Directors			
Mr. Wan Tze Fan Terence	✓	✓	✓
Mr. Tsui Robert Che Kwong	✓	✓	✓
Ms. Yang Yan Tung Doris	–	✓	✓

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has entered into a letter of appointment with each of the existing independent non-executive Directors for a term of two years which can be terminated by either party by giving not less than one month's written notice to the other party. The letters of appointment of the existing independent non-executive Directors commenced on 22 December 2016.

Each of the independent non-executive Directors has confirmed in writing that he or she had complied with the independence requirements set out in rule 3.13 of the Listing Rules. The Board considers that all independent non-executive Directors are independent under these independence requirements.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

As an integral part of sound corporate governance practices, the Board has established the following Board committees to oversee the particular aspects of the Group's affairs:

Remuneration Committee

The Company established the Remuneration Committee in compliance with CG Code with written terms of reference. Currently, the Remuneration Committee is chaired by Ms. Yang Yan Tung Doris, an independent non-executive Director, and other members are Mr. Winerthan Chiu, an executive Director, and Mr. Wan Tze Fan Terence, an independent non-executive Director.

The Remuneration Committee is responsible for, including but not limited to, making recommendations to the Board on the Company's policy and structuring for all remuneration of the Directors and senior management and establishing the formal and transparent procedures for developing such remuneration policy. In determining the specific remuneration packages of the Directors and senior management, the Remuneration Committee would consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors and employment conditions elsewhere in the Group. Full terms of reference are available on the respective websites of the Stock Exchange and the Company. Details of remuneration for each Director and emoluments for senior management are set out in note 15 to the consolidated financial statements.

Nomination Committee

The Company established the Nomination Committee in compliance with CG Code with written terms of reference. Currently, the Nomination Committee is chaired by Mr. Zeng Li, an executive Director and the Chairman and other members are Mr. Tsui Robert Che Kwong and Ms. Yang Yan Tung Doris, both being independent non-executive Directors.

The Nomination Committee is responsible for, including but not limited to, reviewing the structure, size and composition (including the skills, knowledge, experience and diversity of perspectives) of the Board annually, evaluating the balance of skills, knowledge, experience and diversity of perspectives on the Board and making recommendations to the Board with regard to any changes and on matters relating to the appointment or re-appointment of Directors and assessing the independence of the independent non-executive Directors. Full terms of reference are available on the respective websites of the Stock Exchange and the Company.

Board Diversity Policy

The Board has adopted a board diversity policy (the "Policy") and measurable objectives which are set for the purpose of implementing the Policy with effect from 30 August 2013.

Summary of the Policy

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. The Policy aims to set out the approach to achieve diversity on the Board. In designing the Board's composition, Board diversity has been considered from a number of aspects including skills, experience, knowledge, expertise, culture, independence, age and gender. All Board appointments will be based on merit while taking diversity into account (including gender diversity).

CORPORATE GOVERNANCE REPORT

Measurable Objectives

The measurable objectives for the purpose of implementation of the Policy including the dependence, educational background, professional qualifications and years of experience in the industry he/she is specialised in.

The Nomination Committee will review the Policy to ensure its effectiveness and report annually, in the corporate governance report, on the Board's composition under diversified perspectives, and monitor the implementation on this Policy.

Audit Committee

The Audit Committee was established on 25 June 2010 with written terms of reference. In order to comply with the relevant code provisions of the CG Code, the written terms of reference had been revised on 27 March 2012 and were further revised on 31 December 2015 and 22 March 2017. Currently, the members of the Audit Committee comprises three independent non-executive Directors, namely Mr. Wan Tze Fan Terence (chairman of the Audit Committee), Mr. Tsui Robert Che Kwong and Ms. Yang Yan Tung Doris.

The Audit Committee is primarily responsible for overseeing all financial reporting procedures and the effectiveness of the Company's risk management and internal controls and then reports the findings, decisions and recommendations to the Board; making recommendation to the Board on the appointment, re-appointment and removal of external auditor and approving the remuneration and terms of engagement of the external auditor and any questions of resignation or dismissal of that auditor; and reviewing and monitoring the independence and objectivity of external auditor and the effectiveness of the audit process in accordance with applicable standard.

The Audit Committee has reviewed with the management of the Company and the external auditor the annual results of the Group for the Year including the accounting principles and practices adopted by the Group and discussed the auditing, risk management and internal control and financial reporting matters.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in code provision D.3.1 of the CG Code.

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the Company's compliance with the Model Code, the CG Code and disclosures in this Corporate Governance Report.

CORPORATE GOVERNANCE REPORT

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

The Board is scheduled to meet four times a year at approximately quarterly intervals with notice given to the Directors at least 14 days in advance. For all other Board meetings, notice will be given in a reasonable time in advance. The Directors are allowed to include any matter in the agenda that is required for discussion and resolution at the meeting. To enable the Directors to be properly briefed on issues arising at each of the Board meetings and to make informed decisions, an agenda and the accompanying Board papers will be sent to all Directors at least three days before the intended date of the Board meeting, or such other period as agreed. The company secretary of the Company (the "Company Secretary") is responsible for keeping all Board meetings' minutes. Draft and final versions of the minutes will be circulated to the Directors for comments and record respectively within a reasonable time after each meeting and the final version is open for the Director's inspection.

During the Year, the Board held 7 Board meetings and the Directors attended the same in person or participated therein through electronic means of communication.

The attendance record of each Director at the Board meetings, the Board committees meetings and the general meetings of the Company held during the Year is set out below:

Directors	Board Meeting Attended/ Eligible to attend	Nomination Committee Meeting Attended/ Eligible to attend	Remuneration Committee Meeting Attended/ Eligible to attend	Audit Committee Meeting Attended/ Eligible to attend	EGM Attended/ Eligible to attend	2017 AGM Attended/ Eligible to attend
Executive Directors						
Mr. Zeng Li	7/7	1/1	–	–	1/1	1/1
Mr. Winerthan Chiu	7/7	–	1/1	–	1/1	1/1
Mr. Chan Ka Lun	7/7	–	–	–	1/1	0/1
Independent non-executive Directors						
Mr. Wan Tze Fan Terence	7/7	–	1/1	4/4	1/1	0/1
Mr. Tsui Robert Che Kwong	7/7	1/1	–	4/4	1/1	1/1
Ms. Yang Yan Tung Doris	7/7	1/1	1/1	4/4	1/1	1/1

AUDITOR'S REMUNERATION

For the Year, the total fee paid/payable to the external auditor of the Company in respect of audit and non-audit services is set as below:

	HK$'000
Audit services	800
Non-audit services, in respect of interim review and other services	480

CORPORATE GOVERNANCE REPORT

DIRECTORS' AND AUDITOR'S RESPONSIBILITY ON THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements for the Year, and confirm that the financial statements give a true and fair view of the results of the Company and the Group for the year then ended, and are prepared in accordance with the applicable statutory requirements and accounting standards.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore the Directors continue to adopt the going concern approach in preparing the financial statements. The statement of the external auditor of the Company, BDO Limited, about their responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 45 to 50.

COMPANY SECRETARY

Mr. Chan Tai Wah Calvin ("Mr. Chan") has been appointed as the Company Secretary since 1 July 2015. All Directors have access to the advice and services of Mr. Chan who is responsible for ensuring that the correct Board procedures are followed and the Board is advised on all corporate governance matters. During the Year, Mr. Chan confirmed that he had undertaken over 15 hours of professional training to update his skills and knowledge pursuant to rule 3.29 of the Listing Rules.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board is responsible for assessing and determining the nature and extent of the risks that the Group is willing to accept in reaching its strategic objectives and to ensure that the Group has established and maintained appropriate and effective risk management and internal control systems. The Board has supervised the management's design, implementation and monitoring of risk management and internal control systems. The Board has confirmed that it will continue to monitor the system and ensure that the effectiveness of the risk management and internal control systems of the Company and its principal subsidiaries, covering all material controls, including financial, operational and compliance monitoring, at least once a year under the leadership of the Audit Committee.

A. Risk Management and Internal Control Systems Review

To review the effectiveness of the risk management and internal control systems of the Group and to resolve (if any) material internal control defects of the Group for the Year, the Company adopted an Enterprise Risk Management — Integrated Framework (2004) issued by the Committee of Sponsoring Organizations of The Treadway Commission ("COSO ERM") to perform the risk assessment (the "Review") on the Group for the Year. The Review was designed to enhance the risk management of the Group through a holistic and integrated framework so that all material risks faced by the Group were identified and appropriately managed to:

(i) promote consistent risk identification, measurement, reporting and mitigation;

(ii) set a common risk language to avoid any conflicting terminology or confusion in risk reporting;

(iii) develop and communicate policies on risk management and controls aligned with the business strategy; and

(iv) enhance reporting to provide transparency of risks across the Group.

CORPORATE GOVERNANCE REPORT

During the Review, the Company conducted the following procedures:

— follow-up review on previous findings on risks;

— interviewing with management and relevant staff to identify the risks over the Group's business operations and governance practice;

— quantifying the risks by financial data and market searches;

— Identifying current issues and potential risks in the Group's business operations and governance practice for improvement; and

— prioritizing the identified risks as high, medium and low risk.

The Company will perform the ongoing assessment to update the entity-level risk factors and report to the Board on a regular basis.

However, risk management and internal control systems are designed to manage rather than eliminate the risk of failing to reach a business goal, and to make reasonable, not absolute, warranties of no significant misrepresentation or loss.

B. Group Risk Report

In this financial year, the Company conducted an annual Group-wide review based on the COSO ERM to assess the risks relevant to the existing businesses of the Group and prepared the Group Risk Report which was compiled to cover: (i) the top risks of the Group; and (ii) associated action plans and controls designed to mitigate the top risks, where applicable, at appropriate levels.

C. Dissemination of Inside Information

The Group adopted the standards set out in the Model Code and received confirmations from all Directors that they have complied with the Model Code throughout the Year. Set out below is the Company's procedures and internal controls for handling and distributing inside information:

- The Company acknowledges its obligations under the Securities and Futures Ordinance and the Listing Rules. The first principle is that the information should be promptly published when the Company is aware of and/or when the related decision is made, unless such inside information falls under the Safe Harbour Provisions under the Securities and Futures Ordinance;

- In dealing with the matters, adhere to the Guidelines on Disclosure of Inside Information promulgated by the Securities and Futures Commission in June 2012; and

- Unauthorized use of confidential or inside information has been expressly prohibited in the internal system.

- employees or Directors possessing such inside information should report the same to the Executive Director, who will in turn report to the Board. The Board will then discuss and handle the relevant disclosures or dissemination of inside information accordingly.

CORPORATE GOVERNANCE REPORT

D. Internal Audit Function

During the Year, the Company engaged an external independent consultant as an internal control advisor ("IC Advisor") to perform internal audit function for the Group. The IC Advisor reported to the Audit Committee and to the Company's management. Based on the Company's risk assessment results, the IC Advisor recommended a three-year internal audit plan to the management which was endorsed by the Board and the Audit Committee. The IC Advisor conducted its internal audit review activities according to the endorsed internal audit plan during the Year. The IC Advisor reported the internal audit findings and recommendations to both the Audit Committee and the management of the Group. The management of the Group agreed on the internal audit findings and adopted the recommendations by the IC Advisor accordingly.

The Board and Audit Committee have confirmed that they had reviewed the effectiveness of the risk management and internal control systems of the Group during the Year and considered them to be effective and adequate. The Board will continuously improve and monitor the effectiveness of risk management and internal control systems.

CORPORATE GOVERNANCE ENHANCEMENT

Enhancing corporate governance is not simply a matter of applying and complying with the code provisions of CG Code but also promoting and developing an ethical and healthy corporate culture. The Company will continue to review and, where appropriate, improve the current practices on the basis of the experience, regulatory changes and developments. Any views and suggestions from the Shareholders to promote and improve the transparency are also welcome.

COMMUNICATION WITH SHAREHOLDERS

The Board recognises the importance of maintaining a clear, timely and effective communication with the Shareholders and investors. The Board also recognises that effective communication with its investors is critical in establishing investor confidence and attracting new investors. Therefore, the Group is committed to maintaining a high degree of transparency to ensure that the investors and the Shareholders will receive accurate, clear, comprehensive and timely information of the Group through the publication of annual reports, interim reports, announcements and circulars. The Company also publishes all corporate communications on the Company's website at www.elasialtd.com. The Directors and members of various Board committees will attend general meetings of the Company and answer any questions raised. The chairman of general meetings of the Company would explain the procedures for conducting a poll before proposing a resolution for voting. The poll results will be published on the respective websites of the Stock Exchange and the Company.

SHAREHOLDER RIGHTS

Convening an Extraordinary General Meeting by the Shareholders

Pursuant to the article 64 of the Articles, any one or more Shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting of the Company ("EGM") to be called by the Board for the transaction of any business specified in such requisition.

Such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

CORPORATE GOVERNANCE REPORT

Making enquiry to the Board

Shareholders may send their enquiries and concerns to the Board by addressing them to the principal place of business of the Company in Hong Kong by post or email to infoela@elasialtd.com.

Procedures for the Shareholders to put their enquiries to the Board

Shareholders are also encouraged to attend the AGM and the EGM and to put their enquiries to the Board directly. Notices of general meetings are duly circulated to the Shareholders in order to ensure each Shareholder is informed to attend the AGM and the EGM. The Chairman, the chairman of each of the Remuneration Committee, Nomination Committee and Audit Committee and the senior management attend the aforesaid meetings and respond to the Shareholders' enquiries in a promptly manner. Pursuant to the Listing Rules, voting by poll is mandatory at all general meetings.

The detailed procedures for conducting a poll are set out in the proxy forms and will be explained by the respective chairmen of the AGM and the EGM orally at the beginning of the aforesaid meetings. The poll results will be posted on the respective websites of the Stock Exchange and the Company after the AGM and the EGM.

Investors Communication Policy

To promote effective communication, the Company maintains a website at http://www.elasialtd.com, where up-to-date information and updates on the Company's business operations and developments, financial information, corporate governance practices and other information are posted.

Shareholders, investors and the media can make enquiries to the Company through the following means:

Telephone number	:	(852) 3678-8589
By post	:	Room 3607, 36/F., China Resources Building, 26 Harbour Road, Wan Chai, Hong Kong for the attention of the Board of Directors
By email	:	infoela@elasialtd.com

During the Year, the Company has not made any changes to its memorandum and the Articles, which are available on the respective websites of the Stock Exchange and the Company.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

I. PREAMBLE

The Group stringently adhere to their environmental and social responsibilities.

The Group has developed its sustainability strategy with aims to create sustainable values to its stakeholders, and to continue to lower the Group's impact on the environment. In order to carry out the Group's sustainability strategy from top to bottom, the Board of the Company has ultimate responsibility for ensuring the effectiveness of the Group's environmental, social and governance ("ESG") policies. The Board has established dedicated teams to manage ESG issues within each business division of the Group. Designated staff has been assigned to enforce and supervise the implementation of the relevant ESG policies. The Group is also committed to constantly reviewing and adjusting the Group's sustainability policies to satisfy the ever-changing needs of its stakeholders. Details of its management approach in both the environmental and social aspect can be found throughout different sections of this ESG Report. The Group believes sustainability is essential to the development of the Group's overall long-term success.

The Group is pleased to present its second ESG Report to further demonstrate the Group's approach and performance in terms of sustainable development for the year ended on 31 December 2017.

II. SCOPE OF THE REPORT AND REPORTING PERIOD

This ESG Report covers the environmental and social performance within the operational boundaries of the Group that includes the Group's offices in Hong Kong and Singapore, and the exocarpium citri grandis farms in the PRC. For corporate governance section, please refer to the 2017 Annual Report pages 22 to 31. The reporting period of this ESG report is for the financial year 2017, from 1 January 2017 to 31 December 2017 ("FY2017").

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

III. STAKEHOLDER ENGAGEMENT

With the goal to strengthen the sustainability approach and performance of the Group; the Group has put in tremendous efforts to listen to both its internal and external stakeholders. The Group actively collects feedback from its stakeholders to maintain a high standard of sustainability within the Group, while also building a trustful and supporting relationship with them. The Group connects with its stakeholders through their preferred communication channels as listed in the table below.

Stakeholders	Expectations and concerns	Communication Channels
Government and regulatory authorities	— Compliance with laws and regulations — Support economic development	— Supervision on complying with local laws and regulations — Routing reports and taxes paid
Shareholders	— Return on investments — Corporate governance — Business compliance	— Regular reports and announcements — Regular general meetings — Official website
Employees	— Employees' compensation and benefits — Career development — Health and safety in the working environment	— Performance reviews — Regular meetings and trainings — Emails, notice boards, hotline, caring activities with management
Customers	— High quality products and services — Protect the rights of customers	— Customer satisfaction survey — Face-to-face meetings and on-site visits — Customer service hotline and email
Suppliers	— Fair and open procurement — Win-win cooperation	— Open tendering — Suppliers' satisfactory assessment — Face-to-face meetings and on-site visits — Industry seminars
General public	— Involvement in communities — Business compliance — Environmental protection awareness	— Media conferences and responses to enquiries — Public welfare activities — Face-to face interview

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Materiality Assessment

The Group undertakes annual review in identifying and understanding its stakeholders' main concerns and material interests for the ESG Report. In FY2017, the Group engaged its stakeholders to conduct a materiality assessment survey. Specifically, internal and external stakeholders were selected based on their influence and dependence on the Group. Stakeholders with high level of influence and dependence on the Group were then selected by the management of the Group, and invited to express their views and concerns on a list of sustainability issues via an online survey.

With respect to this ESG Report, the Group has identified preventing bribery, extortion, fraud and money, anti-corruption policies and whistle blowing procedure, occupational health and safety, customers satisfaction, and protection of customer information and privacy as issues of high importance to both the Group and its stakeholders. This review has helped the Group in prioritising its sustainability issues and highlighting the material and relevant aspects, so as to align them with stakeholders' expectations.

Stakeholders Feedback

As the Group strives for excellence, the Group welcomes stakeholders' feedback, especially on topics listed as highest importance in the materiality assessment and its ESG approach and performance. Readers are also welcome to share their views with the Group at email address (infoela@elasialtd.com) or Company Website (www.elasialtd.com).

IV. ENVIRONMENTAL SUSTAINABILITY

The Group is committed to ensuring the long-term sustainability in the environment and community where the Group operates. The Group stringently controls its emissions and consumption of resources, and complies with all relevant environmental laws and regulations in its daily operations. The Group has implemented energy conservation measures to reduce emissions and resource consumption.

This section primarily discloses the Group's policies, practices, and quantitative data on emissions, use of resources, the environment and natural resources in FY2017.

A.1. Emissions

The Group has complied with all relevant local environmental laws as set out in the country where the Group operates. In FY2017, the Group found no disregard to influential laws relevant to waste gas or greenhouse gas emissions, water or land discharging and hazardous or non-hazardous wastes.

In FY2017, the Group's greenhouse gases ("GHG") emissions for Scope 1 (Direct Emissions) and Scope 2 (Energy Indirect Emission) was 1,543 tonnes carbon dioxide equivalent (CO_2e) and 189 tonnes CO_2e respectively. The Group's total GHG emissions amounted to 1,732 tonnes CO_2e, and the GHG intensity for the Group was 7.9 tonnes CO_2e/employee. Other than GHG emissions, the Group also emitted 76 tonnes of non-hazardous solid wastes (with an intensity of 0.3 tonnes/employee), and 1,554 tonnes of non-hazardous wastewater (with an intensity of 7.1 tonnes/employee) in its operations. The Group did not generate any hazardous waste. The Group's total emissions are summarized in Table 1 below.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Table 1 Group's Total Emissions by Category in FY2017

Emissions	Key Performance Indicator ("KPI")	Unit	Amount	Intensity* (Per employee)
GHG emissions**	Scope 1 (Direct Emission)	Tonnes CO_2e	1,543	–
	Scope 2 (Energy Indirect Emission)	Tonnes CO_2e	189	–
	Total (Scope 1 & 2)	Tonnes CO_2e	1,732	7.9
Non-hazardous waste	Solid Waste	Tonnes	76	0.3
	Wastewater	Tonnes	1,554	7.1

* *Intensity = amount ÷ annual average workforce of the Group*

** The guidance for reporting on GHG emissions set out above is based on the "Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong (2010)" issued by Electrical and Mechanical Services Department and Environmental Protection Department, Scope 1 (Direct Emissions e.g. gasoline, diesel and firewood) and Scope 2 (Energy Indirect Emissions e.g. electricity) are included.

Trading and Leasing of Construction Machinery

Emissions from the trading and leasing offices in Hong Kong and Singapore include GHG emissions from the use of electricity, and municipal solid waste and wastewater generated by the staffs in the office. No hazardous waste had been generated in the Group's trading and leasing offices in FY2017.

The main source of GHG emissions for the trading and leasing offices come from the use of electricity. Specific measures taken to reduce electricity consumption in the office, and thus GHG emissions from this business segment, are further described in the next subsection under **Electricity**.

The Group is committed to environmental protection in its daily operations in the office. In order to reduce the amount of municipal solid waste generated every day, the Group has implemented the following practices:

- Source separate and recycle as many solid waste as possible;
- Encourages all employees to reduce the use of disposable items such as plastic tableware; and
- Advocates the reusing of office stationeries.

Any non-recyclable municipal solid wastes are collected and disposed by the property management. The Group also carefully collect obsolete metal parts and sell them to third party for centralised recycling and re-use.

Since the amount of wastewater generated highly depends on the amount of water used, the Group has adopted specific measures to reduce water consumption, which are further described in the next subsection under **Water**. Municipal wastewater is directly discharged into the property water discharge system.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Cultivation and Processing of Exocarpium Citri Grandis (化橘紅)

In the cultivation and processing of exocarpium citri grandis business, a Chinese herbal medicine, the Group is prudent in controlling all discharges. Emissions for this business segment include air & GHG emissions, wastewater, and solid waste. Air and GHG emissions come from the use of gasoline and diesel in vehicles, electricity in machineries, and firewood in baking oven. The Group has set up internal policies, further described in the **A.2.Use of Resources**, to reduce energy use and thus the air and GHG emissions. Domestic wastewater is directly discharged into the local sewerage system, while domestic solid waste is recycled and collected by the local waste management company.

During the Year under review, the Group was not in violation of any relevant laws and regulations, which have a significant impact on the Group, related to emissions.

A.2. Use of Resources

The Group has complied with the relevant laws and regulations in relation to the Group's use of resources during the Year under review. In FY2017, resources consumed by the Group were gasoline, diesel, electricity, firewood, water and paper.

Table 2 Group's Total Use of Resources by Category in FY2017

Use of Resources	KPI	Unit	Amount	Intensity* (Per Employee)
Energy	Electricity	kWh	405,988	1845.4
	Gasoline	L	41,087	186.8
	Diesel	L	3,698	16.8
	Firewood	Tonnes	766	3.5
Water	Water	m^3	16,875	76.7
Paper	Paper	Tonnes	1	0.005
Packaging Materials	Woven Bags	No.	11,200	50.9

* *Intensity = amount ÷ annual average workforce of the Group*

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Electricity

The Group's electricity consumption comes from regular operations of the office and the exocarpium citri grandis farm. In FY2017, the total electricity consumption of the Group was 405,988 kWh (with an intensity of 1845.4 kWh/employee). All subsidiaries of the Group stringently complied with the Group's energy saving policy.

The Group has replaced traditional light bulbs with electricity-saving light bulbs as well as educated its employees about energy conservation and emission reduction. As the Group reduces electricity consumption, GHG emissions decline corresponding. To ensure the effective use of electricity, the Group has conducted the following practices:

- Turn off lights, computers and air conditioning system at the end of the day;
- Clean office equipment regularly to maintain high efficiency; and
- Set temperature of air conditioners based on the season.

Energy

The Group consumes gasoline and diesel for its vehicles and tractors and firewood for the baking oven. In FY2017, the amount of gasoline, diesel and firewood consumed by the Group was 41,087 L (with an intensity of 186.8 L/employee), 3,698 L (with an intensity of 16.9 L/employee), and 766 tonnes (with an intensity of 3.5 tonnes/employee) respectively. The Group encourages energy saving through simple measures, such as turning off all idle equipment and replacing highly polluting vehicles with more environmentally-friendly ones.

Water

The Group has educated its employees to save water. In FY2017, the total water consumption of the Group was 16,875 m^3 (with an intensity of 76.7 m^3/employee). To further improve the utilization efficiency of water resources, the Group has adopted the following practices:

- Place posters "Saving Water Resource" in prominent places to encourage water conservation;
- Fix dripping taps immediately and avoid any leakage of the water supply system;
- Strengthen the inspection and maintenance on water tap, water pipelines and water storage;
- Adjust water outflow to suitable level;
- Use water saving equipment; and
- Collect rainwater for plants watering and floor cleaning.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Paper

Paper is mainly consumed by the Group at its trading and leasing offices. In FY2017, the Group consumed a total of one tonne of paper (with an intensity of 0.005 tonne/employee). The Group strives to reduce paper produced at source by adapting the following practices:

- Use environmentally friendly paper;
- Disseminate information through electronic means (via email or e-bulletin boards);
- Set duplex printing as the default mode for most network printers;
- Educate staff to think before print; and
- Place boxes and trays next to photocopiers to collect single-sided paper for reuse.

Packaging Materials

The Group uses woven bag as packaging material. In FY2017, the number of woven bags consumed by the Group was 11,200 bags (with an intensity of 50.9 bags/employee). To reduce amount of woven bag used, the Group encourages the reuse of woven bags as much as possible.

A.3. The Environment and Natural Resources

The Group is committed to protecting the environment where the Group operates. The Group has taken effective measures to reduce energy consumption, and thus the GHG emissions of the Group. In the cultivation and processing of exocarpium citri grandis business, the Group is able to minimise the amount of solid waste generated by utilising the firewood ash from the baking oven as fertilizer.

V. SOCIAL SUSTAINABILITY

EMPLOYMENT AND LABOUR PRACTICES

B.1. Employment

The Group treasures employee's talent and sees it as the key in driving success and maintaining sustainability for the Group. The Group strives to provide its staff with a safe and suitable platform for career development and advancement.

Law Compliance

The Group's human resources policies strictly adhere to the applicable employment laws and regulations in Hong Kong, the PRC and Singapore, including but not limited to the Employment Ordinance (Cap 57), the Mandatory Provident Fund Schemes Ordinance, Labour Law of the PRC (中國勞動法) and Singapore's Employment Act. At the same time, the Group has also complied with the laws and regulations and provide employees with the basic social insurance schemes (endowment insurance, medical insurance, employment injury insurance, unemployment insurance and maternity). The Group's Human Resources Department reviews and updates relevant company policies in accordance with the latest laws and regulations regularly.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Recruitment, promotion, and dismissal

Talent acquisition is vital to the Group's business development. The Group has adopted a set of fair and transparent principles in recruiting outstanding applicants in accordance with the planned role requirements. To attract high-calibre workforce, the Group offers competitive and fair remuneration and benefits based on individuals' performance, professional qualifications and experiences. The Group also makes reference to market benchmarks. In order to motivate and reward the Group's management and employees, the Group conducts regular salary review to ensure that its staff are recognised with regards to their work and contributions. Meanwhile, any termination of employment contract should be based on reasonable and lawful grounds. The Group strictly prohibits any kinds of unfair or unreasonable dismissals.

Working hours and rest periods

The Group determines working hours and rest period for its employees based on the local employment laws and employment contracts. In addition to statutory holidays stipulated by the local government, employees may also be entitled to maternity leave, marriage leave and paternity leave.

Equal opportunity and anti-discrimination

As an equal opportunity employer, the Group is committed to creating a fair, respectful and diverse working environment by promoting anti-discrimination and equal opportunity in all its human resources and employment decisions. For instance, training and promotion opportunities, dismissals and retirement policies are determined irrespective of their gender, race, age, disability, family status, marital status, pregnancy status, sexual orientation, religion beliefs, nationality, social and ethnic origin or any other non-job related factors in all business units. The Group's equal opportunities policy enforces zero tolerance to any workplace discrimination, harassment or victimisation in accordance to relevant government legislations, ordinances and regulations such as Hong Kong's Disability Discrimination Ordinance and Sex Discrimination Ordinance. Employees are encouraged to report any incidents involving discrimination to the human resources department of the Group. The Group will take responsibility for assessing, dealing with, recording and taking any necessary disciplinary actions on such incidents.

Other benefits and welfare

To cater the needs of employees working at the exocarpium citri grandis farm in the PRC, the Group provides additional employee benefits such as the provision of meals, uniform, and/or well-equipped dormitories. During some traditional Chinese festivals, employees may even receive additional bonuses and gifts. In FY2017, the Group organized dinner gathering during mid-autumn festival and at the end of the year for its staffs to enjoy.

During the year under review, the Group was in compliance with relevant laws and regulations in relation to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, welfare and other benefits that have a significant impact on the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B.2. Health and Safety

To provide and maintain a safe and healthy working environment for its employees, the Group has established occupational safety and health policies that are in line with various laws and regulations as stipulated by the local government, including the Hong Kong's Occupational Safety and Health Ordinance, Singapore's Workplace Safety and Health Act, and Occupational Disease Prevention Law in the PRC (中國職業病防治法). In Singapore, the Group has been awarded the BizSafe Star certification from the Workplace Safety and Health Council and is OHSAS 18001 certified.

The Group has formulated monitoring and measuring equipment control procedures in order to meet the safety requirement and comply with the related fire safety regulations, labour protection management regulations and the production site safety regulations. Licensed workers in Hong Kong are required to attend the Occupational Safety and Health courses provided by the Construction Industry Council in order to qualify for their safety certificates and renew their safety card.

In FY2017, the Group continued to strengthen its control over safety and health risks by posting safety bulletins, banners, slogans and warning signs in conspicuous areas, and providing personal protective equipment (such as safety hat, shoes, belt) to workers. The Group also prohibited smoking and drinking liquor in the workplace, while air-conditioning systems and carpets are cleaned regularly to maintain a clean, tidy, smoke-free working environment for its employees. In-house safety trainings such as emergency management, hazardous materials handling, machine safeguarding, occupational health and safety are regularly provided to the Group's employees for minimising accidents and enhancing safety awareness. Unfortunately, the Group had one work related fatality in FY2017. The Group will review its safety policy to ensure similar incident will not occur.

B.3. Development and Training

In FY2017, the Group developed an annual training program for its employees. Employees were provided with in-house trainings that strengthen their work-related skills and knowledge. As for newly hired employees, they are provided with an integrated induction training that covers topics such as corporate culture, business processes, job safety requirements, management policies and corporate's future development. Other than internal trainings, the Group encourages all its employees to participate in external trainings to enhance their competitiveness and expand their capabilities through continuous learning. Those that participated in and passed the professional qualification exam may be subsidised by the Group.

For the Group's trading and leasing of construction machinery business, the Group cooperated with domestic technical institutes and equipment manufacturers to provide technical and product knowledge along with knowledge on industry quality standards and work place safety standards to its servicing team members.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B.4. Labour Standards

The Group strictly abides by the Employment Ordinance (Cap 57), Labour Law of the PRC (中國勞動法), Singapore Employment Act, and other related labour laws and regulations in Hong Kong, the PRC, and Singapore to prohibit any child and forced labour employment.

To combat against illegal employment on child labour, underage workers and forced labour, the human resources department requires job applicants to provide valid identity documents before employment to ensure that the applicants are lawfully employable. The human resources department is also responsible for monitoring and ensuring compliance of latest and relevant laws and regulations that prohibit child labour and forced labour.

During the Year under review, the Group was not in violation of any of the relevant laws and regulations, in relation to the prevention of child and forced labour that have a significant impact on the Group.

OPERATING PRACTICES

B.5. Supply Chain Management

Trading and Leasing of Construction Machinery

As a socially responsible enterprise, it is critical and vital for the Group to maintain and manage a sustainable and reliable supply chain.

In FY2017, the Group is the authorised dealer on trading and leasing of "Potain" brand tower cranes in Hong Kong. The manufacturer of "Potain" brand tower cranes, Manitowoc Crane Group Asia Pte ("Manitowoc") is the Group's biggest supplier. Since 2016, Manta Hong Kong has also been the exclusive dealer of GJJ passenger hoists by Jing Long Eng. Machinery Co., Ltd. (廣州市京龍工程機械有限公司) ("Jing Long") in Hong Kong and Macau. The Group has formal written distribution agreements for both dealerships. The current supply arrangement is based on recurring transactions and the long-term business relationship between Manta Hong Kong, Manitowoc and Jing Long.

The Group subcontracts certain work processes such as installation, erection, floor climbing operation and dismantling work of tower cranes and passenger hoists to third party subcontractors through tendering process. At the time of tendering, the relevant department will target to receive at least two tenders, compare each of their prices, before making the final decision. In selecting competent subcontractors, the Group considers the cost, reputation, previous job reference, compliance with local laws and regulations, relevant business licenses, products' specifications and qualification of the team of workers. Key employees of the subcontractors have to be well-versed with their job-related skills and knowledge.

Furthermore, to enhance the effectiveness of the Group's risk management in the environmental and social aspects, the Group complies with local regulations in lowering the environmental impacts made during sourcing activities. For the subcontracted services, Service Supervisor will inspect the works performed by the subcontractors on site to ensure the quality of the work and the work meets the technical requirements. Provided that the performance of the subcontractors is satisfactory, subcontractors will be re-considered in future tendering process. The Group has maintained a good relationship with selected suppliers through mutual trust and enhancement of the products/services' market competitiveness.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Cultivation and Processing of Exocarpium Citri Grandis

For the cultivation and processing of exocarpium citri grandis business, the Group mainly purchases animal manure from its suppliers. When choosing suppliers, the head of the team pick suppliers from the recommended list provided by the purchasing department. The Group primarily considers the supplier's ability to provide products of stable quality along with the cost of the purchase. The Group also takes social and environmental factors into consideration. The procurement and audit department oversees the entire supplier selection process, and suppliers are assessed annually.

The Group is also in strict control over the post-management of selected suppliers. The Group will test the supplied material at its own laboratory to ensure the purchased materials are up to the Group's quality and national safety standard. If the purchased materials are not up to the Group's quality standard or the national safety standard, the purchasing department will follow up by requesting a refund or an exchange of material. The supplier generally guarantees the quality and quantity of the supplied materials. Often, the purchasing department would remind suppliers to bulk purchase their materials to ensure they will not under supply or increase the price after the signed contract. The Group has a list of alternative suppliers in case the supplier was not able to provide the materials the Group requested.

B.6. Product Responsibility

In FY2017, the Group is not aware of any non-compliance or breach of relevant laws and regulations in relation to health and safety, advertising, labelling and privacy matters relating to products/services that have significant impact on the Group.

Trading and Leasing of Construction Machinery

In the provision of trading and leasing of construction machinery and related maintenance services business in Hong Kong and Singapore, the Group strengthens safety measures for tower cranes regardless of their ages. For example, maintenance works such as painting, polishing and reinforcement of connecting parts, and lubrication of moving components are carried out on regular basis and between each rental to meet the stringent safety regulations in Hong Kong and Singapore listed below:

- Hong Kong's Factories and Industrial Undertakings (Lifting Appliances and Lifting Gear) Regulations, Guidelines on Safety on Tower Cranes, Guidelines on Safety on Lift Shaft Works and Code of Practice for Safe Use of Tower Cranes; and

- Singapore's Workplace Safety and Health Act, Work Injury Compensation Act and Workplace Safety and Health Act Subsidiary Legislation.

Since Manitowoc is the Group's only supplier to the "Potain" brand tower cranes, the Group complies with the Potain's product manuals for carrying out repair and maintenance services, and maintaining a certain safety level for the machineries and rental fleets. Besides, the Group performs product quality control before the erection, climbing and dismantling of machines. In Hong Kong, the Group engages external government Authorised Examiners ("AE") to perform ultrasonic test and corrosion prevention test along with professional engineering calculation before operation. In Singapore, erected T-cranes are required to obtain certification from the AE before operation.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In-house servicing teams in Hong Kong and Singapore play an important role as customers place strong emphasis on after-sales and maintenance services, which include emergency repairs. The in-house teams try to respond to customers' maintenance and repair requests on a timely manner, and to conduct regular onsite inspection and maintenance for the rental fleets. The Group monitors and maintains an inventory of replacement and spare parts locally for maintenance related activities.

If the Group receives complaint about its products and services via the phone, email or on-site meeting, the Group will investigate on the issue before providing an appropriate response to its customers. In Singapore, the Group has rolled out a 24-hour services hotline to cater for any emergency technical needs from its customers. The sales department keeps a detailed record of the complaints. Through the internal and external communication channels listed earlier, the Group receives first-hand feedback from its customers. This allows the Group to strengthen the product and service quality it offers, and consequently enables the Group to stay competitive in the market.

The Group's sales and marketing team publicise the products and services through marketing activities such as advertising in industry magazines and inviting customers to the suppliers' product launches. The Group complies with relevant local advertising laws and regulations by strictly prohibiting any exaggerated or misleading materials in its published advertisements. The Group has an internal procedure to ensure that the published advertising materials are legal and complete. If there is any non-compliance with the internal guideline, the Group will carry out corrective action immediately.

Cultivation and Processing of Exocarpium Citri Grandis

For the Group's cultivation and processing of exocarpium citri grandis business, the Group strictly abided by the 2010 Chinese Pharmacopoeia Quality Standards (2010版中國藥典質量標準). The exocarpium citri grandis the Group cultivates is a National Geographical Indications Protection Product (國家地理標誌保護產品) certified by the State Administration of Quality Supervision, Inspection and Quarantine. The Group has established internal guidelines to ensure the cultivated exocarpium citri grandis meets the Chinese medicine Good Agricultural Practice Certification.

The Group has set up a customer service hotline to handle product enquires and complaints. Any customer complaints received would be reported and handled by the Group's professional associates.

The Group is dedicated to protecting and enforcing its intellectual property rights and has complied with the relevant laws and regulations such as the Intellectual Property Law of the People's Republic of China (中華人民共和國知識財產權法), and Trademark Law of the PRC (中華人民共和國商標法). All new hired employees are required to sign the confidentiality agreement so to protect the Group's intellectual property rights.

In the above business segments, the Group is committed to abide by the privacy law where the Group operates. Information collected during course of business would only be used for the purpose for which it has been collected for, and customers would be told on how the data collected would be used. The Group prohibits the provision of consumer information to a third party without authorisation from the customers. Customers have the rights to review and revise their data, and to opt out from any direct marketing events. All collected personal data is treated confidentially and is kept securely, accessible by designated personnel only. The IT Department restrict software installation and set limitations between the office and the business network to prevent unauthorized use, export, or copy of customer data. The Group places great emphasises on confidentiality obligations. Through internal trainings, the Group reminds its employees of the legal consequences of breaching the regulations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B.7. Anti-corruption

To maintain a fair, ethical and efficient business and working environment, the Group strictly adheres to the laws and regulations relating to anti-corruption and bribery irrespective of the area or country where the Group is conducting business such as Law of the PRC on Anti-money Laundering (中國反洗錢法), Hong Kong's Prevention of Bribery Ordinance (防止賄賂條例) and Singapore's Prevention of Corruption Act. The Group has formulated and strictly enforced anti-corruption policies as stipulated in the Code of Conduct. The Group will not tolerate corruption in any kinds of form. All employees are expected to discharge their duties with integrity and self-discipline. They should abstain from engaging in any activities related to bribery, extortion, fraud and money laundering, which may exploit their positions against the Group's interests in the course of business.

The Group arranges regular trainings to its executives and employees for enhancing their ethical awareness. Employees are required to report their declaration of conflict to the Group regularly. The management will conduct investigations on any suspicious illegal behaviours to protect the Group's interests. When the Group cooperates with external parties, the Group implements proper internal control process and tendering process to prevent any potential corruption activity.

Furthermore, the Group has set up an internal whistleblowing policy system to enable employees to lodge complaints and report any suspicious activities either verbally or in writing. The Group advocates a confidentiality mechanism to protect the whistle-blowers against unfair dismissal or victimisation. Where criminality is suspected upon investigation, disciplinary actions including the termination of employment and reporting to the relevant authorities will be taken. The Group's Audit Committee ensures the investigation is fair and independent. No concluded legal cases regarding corrupt practices were brought against the Group or its employees during FY2017.

During the Year under review, the Group was not in violation of any of the relevant laws and regulations in relation to bribery, extortion, fraud and money laundering that have a significant impact on the Group.

COMMUNITY

B.8. Community Investment

The Group understands well the importance of making a positive contribution to the communities where the Group operates, and sees the interests of the communities as one of its social responsibilities. The Group is committed to promote green farming, protect the environment, and insists on helping individuals and organizations within the community. The Group is also keen to support social welfare activities and community care projects, and encourages its own employees to participate in these activities and projects. In FY2017, the Group has sponsored the annual "Actitudes" Funday hosted by Dragages Hong Kong, and donated to the Rainbow Foundation. The Group also provided technical support on green farming to nearby residence in Mowming city, Guangdong Province.

INDEPENDENT AUDITOR'S REPORT

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TO THE SHAREHOLDERS OF EAGLE LEGEND ASIA LIMITED 鵬程亞洲有限公司
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Eagle Legend Asia Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 51 to 138, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS *(Continued)*

Impairment assessment on goodwill

(Refer to notes 5, 6 and 18 to the consolidated financial statements)

As at 31 December 2017, the Group had goodwill with carrying amount of approximately HK$75,036,000 relating to the acquisition of subsidiaries engaged in cultivation, research, processing and sales of exocarpium citri grandis and its seedlings in prior year. For the year ended 31 December 2017, there was no impairment in respect of the goodwill.

Management is required to test annually the amount of goodwill for impairment. For the purpose of assessing impairment, goodwill was allocated to its relevant cash generating unit, and the management assessed the recoverable amount of the goodwill. Management has engaged independent professional valuers as the management's experts in assisting the assessment of the recoverable amount of the goodwill. In carrying out the impairment assessment, significant management judgement was used to determine the underlying key assumptions and estimations.

Our key audit procedures in relation to the management's impairment assessment on goodwill included:

— Assessing the appropriateness of the valuation methodology in respect of the assessment of the recoverable amount;

— Assessing the reasonableness of the underlying key assumptions and estimations used;

— Checking the appropriateness of key input data used in the assessment of the recoverable amount;

— Involving an auditor's expert to assist our assessment on the reasonableness of key assumptions and estimations and appropriateness of the valuation methodology; and

— Evaluating the competency, capabilities and objectivity of the management's experts and auditor's expert.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS *(Continued)*

Valuation of biological assets

(Refer to notes 5, 6 and 19 to the consolidated financial statements)

As at 31 December 2017, the Group had biological assets with fair value of approximately HK$5,766,000. For the year ended 31 December 2017, a gain arising from change in fair value less costs to sell of biological assets of approximately HK$49,639,000 was recorded in the consolidated statement of comprehensive income. To support management's estimation of the fair value, the Group engaged an independent professional valuer as the management's expert to assist the management in assessing the fair value effect arising from the biological assets.

Valuation of the Group's biological assets are dependent on certain key assumptions and estimations that require significant management judgement.

The valuation was inherently subjective due to the significant estimates used and significant changes in these estimates could result in material changes to the valuation of the biological assets.

Our key audit procedures in relation to the management's valuation of biological assets included:

— Assessing the appropriateness of the valuation methodology in respect of the determination of the fair value of biological assets;

— Assessing the reasonableness of the underlying key assumptions and estimations used;

— Checking the appropriateness of key input data used in the valuation of biological assets;

— Involving an auditor's expert to assist our assessment on the reasonableness of key assumptions, estimations and appropriateness of the valuation methodology; and

— Evaluating the competency, capabilities and objectivity of the management's experts and auditor's expert.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibilities in this regard.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

— identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

— evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

— conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

— evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

— obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited
Certified Public Accountants
Lo Ngai Hang
Practising Certificate no. P04743

Hong Kong, 16 March 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000 (re-presented)
Continuing operations			
Revenue	*8*	**206,805**	156,160
Cost of sales and services		**(98,782)**	(83,738)
Gross profit		**108,023**	72,422
Gain arising from changes in fair value less costs to sell of biological assets		**49,639**	–
Other income and gains	*9*	**12,340**	1,881
Selling and distribution expenses		**(2,608)**	(2,704)
Administrative expenses		**(59,740)**	(63,483)
Other operating expenses		**(67,753)**	(49,335)
Finance costs	*10*	**(49,827)**	(25,642)
Loss before income tax	*11(a)*	**(9,926)**	(66,861)
Income tax credit	*12*	**1,924**	2,599
Loss for the year from continuing operations		**(8,002)**	(64,262)
Discontinued operation			
Profit/(loss) for year from discontinued operation	*11(b)*	**319**	(7,888)
Loss for the year		**(7,683)**	(72,150)
Other comprehensive income			
Item that will not be reclassified to profit or loss:			
Gain/(loss) on revaluation of properties held for own use, net of tax		**1,819**	(272)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**28,041**	(4,585)
Release of translation reserve upon disposal of subsidiaries	*40*	**3,530**	–
Other comprehensive income for the year		**33,390**	(4,857)
Total comprehensive income for the year		**25,707**	(77,007)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000 (re-presented)
(Loss)/profit for the year attributable to:			
Owners of the Company			
— Continuing operations		**(47,768)**	(64,255)
— Discontinued operation		**319**	(7,888)
Loss for the year attributable to owners of the Company		**(47,449)**	(72,143)
Non-controlling interests			
— Continuing operations		**39,766**	(7)
— Discontinued operation		**-**	–
Profit/(loss) for the year attributable to non-controlling interests		**39,766**	(7)
		(7,683)	(72,150)
Total comprehensive income attributable to:			
— Owners of the Company		**(26,106)**	(77,000)
— Non-controlling interests		**51,813**	(7)
		25,707	(77,007)
Loss per share from continuing and discontinued operations			
— Basic and diluted (HK cents)	*14*	**(4.89)**	(8.25)
Loss per share from continuing operations			
— Basic and diluted (HK cents)	*14*	**(4.92)**	(7.35)
Earnings/(loss) per share from discontinued operation			
— Basic and diluted (HK cents)	*14*	**0.03**	(0.90)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	16	**511,022**	522,716
Payments for leasehold land held for own use under operating leases	17	**–**	19,603
Goodwill	18	**75,036**	75,036
Prepayment and deposit	22	**199**	2,016
		586,257	619,371
Current assets			
Biological assets	19	**5,766**	5,164
Inventories and consumables	20	**45,428**	52,695
Trade receivables	21	**19,916**	54,778
Prepayments, deposits and other receivables	22	**10,753**	20,584
Short-term investment	23	**–**	11,200
Tax recoverable		**–**	343
Cash and cash equivalents	24	**152,556**	198,456
		234,419	343,220
Current liabilities			
Trade payables	25	**30,334**	65,110
Receipt in advance, accruals and other payables	26	**102,833**	150,707
Bank borrowings	27	**2,108**	23,942
Other loan payable	28	**–**	2,848
Bonds payable	29	**77,803**	–
Finance lease payables	31	**34,143**	38,214
Deferred government grants	32	**1,157**	1,080
		248,378	281,901
Net current (liabilities)/assets		**(13,959)**	61,319
Total assets less current liabilities		**572,298**	680,690

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Non-current liabilities			
Accrual and other payable	26	–	72,074
Bank borrowing	27	16,165	16,918
Other loans payables	28	–	2,303
Bonds payable	29	–	41,681
Promissory note payable	30	–	89,477
Finance lease payables	31	47,882	57,336
Deferred government grants	32	8,681	9,354
Deferred tax liabilities	33	3,613	13,700
		76,341	302,843
Net assets		495,957	377,847
EQUITY			
Share capital	34	10,600	9,600
Reserves	35	313,438	248,141
Equity attributable to the owners of the Company		324,038	257,741
Non-controlling interests	39	171,919	120,106
Total equity		495,957	377,847

Zeng Li
Executive Director

Winerthan Chiu
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2017

	Share capital HK$'000	Share premium* HK$'000	Statutory reserve* HK$'000	Merger reserve* HK$'000	Property revaluation reserve* HK$'000	Translation reserve* HK$'000	Accumulated losses* HK$'000	Equity attributable to the owners of the Company HK$'000	Non-controlling interests HK$'000	Total HK$'000 (re-presented)
Balance at 1 January 2016	8,000	63,968	–	120,985	9,075	(44)	(60,296)	141,688	552	142,240
Loss for the year	–	–	–	–	–	–	(72,143)	(72,143)	(7)	(72,150)
Loss on revaluation of properties held for own use, net of tax	–	–	–	–	(272)	–	–	(272)	–	(272)
Exchange difference on translating foreign operations	–	–	–	–	–	(4,585)	–	(4,585)	–	(4,585)
Total comprehensive income for the year	–	–	–	–	(272)	(4,585)	(72,143)	(77,000)	(7)	(77,007)
Shares issued by way of placing *(Note 34)*	1,600	193,600	–	–	–	–	–	195,200	–	195,200
Shares issuance expenses *(Note 34)*	–	(2,147)	–	–	–	–	–	(2,147)	–	(2,147)
Arising from acquisition of subsidiaries *(Note 41)*	–	–	–	–	–	–	–	–	119,561	119,561
Depreciation transfer on property held for own use carried at fair value, net of tax	–	–	–	–	(284)	–	284	–	–	–
Balance at 31 December 2016	9,600	255,421	–	120,985	8,519	(4,629)	(132,155)	257,741	120,106	377,847
Balance at 31 December 2016 and 1 January 2017	**9,600**	**255,421**	**–**	**120,985**	**8,519**	**(4,629)**	**(132,155)**	**257,741**	**120,106**	**377,847**
(Loss)/profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(47,449)**	**(47,449)**	**39,766**	**(7,683)**
Gain on revaluation of properties held for own use, net of tax	**–**	**–**	**–**	**–**	**1,819**	**–**	**–**	**1,819**	**–**	**1,819**
Exchange difference on translating foreign operations	**–**	**–**	**–**	**–**	**–**	**15,994**	**–**	**15,994**	**12,047**	**28,041**
Release of translation reserve upon disposal of subsidiaries *(Note 40)*	**–**	**–**	**–**	**–**	**–**	**3,530**	**–**	**3,530**	**–**	**3,530**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**1,819**	**19,524**	**(47,449)**	**(26,106)**	**51,813**	**25,707**
Transfer to statutory reserve	**–**	**–**	**2,815**	**–**	**–**	**–**	**(2,815)**	**–**	**–**	**–**
Shares issued in settlement of promissory note payable *(Notes 30, 34)*	**1,000**	**92,000**	**–**	**–**	**–**	**–**	**–**	**93,000**	**–**	**93,000**
Shares issuance expenses *(Note 34)*	**–**	**(597)**	**–**	**–**	**–**	**–**	**–**	**(597)**	**–**	**(597)**
Depreciation transfer on property held for own use carried at fair value, net of tax	**–**	**–**	**–**	**–**	**(275)**	**–**	**275**	**–**	**–**	**–**
Balance at 31 December 2017	**10,600**	**346,824**	**2,815**	**120,985**	**10,063**	**14,895**	**(182,144)**	**324,038**	**171,919**	**495,957**

* At 31 December 2017, the reserves accounts comprise the consolidated reserves of approximately HK$313,438,000 (2016: approximately HK$248,141,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000 (re-presented)
Cash flows from operating activities			
Loss before income tax			
— From continuing operations		**(9,926)**	(66,861)
— From discontinued operation	*11(b)*	**(1,235)**	(8,849)
		(11,161)	(75,710)
Adjustments for:			
Bank interest income	*9*	**(186)**	(60)
Gain on early settlement of promissory note payable	*9*	**(5,496)**	–
Gain on disposal of property, plant and equipment	*9*	**(62)**	(160)
Amortisation of deferred government grants for acquisition of property, plant and equipment	*9*	**(1,285)**	–
(Recovery of impairment loss)/impairment loss on trade receivables, net	*11(a)*	**(31)**	29
Recovery of impairment loss on other receivable, net	*11(a)*	**–**	(91)
Gain arising from changes in fair value less costs to sell of biological assets	*19*	**(49,639)**	–
Write-down of inventories to net realisable value and provision for impairment of inventories	*11(a)*	**201**	1,696
Written off of inventories	*11(a)*	**–**	18
Depreciation of property, plant and equipment	*11(a)*	**57,026**	43,907
Amortisation of payments for leasehold land held for own use under operating lease	*11(a)*	**372**	544
Interest expenses	*10*	**50,452**	27,058
Impairment loss on property, plant and equipment	*11(a)*	**–**	8,512
Written off of property, plant and equipment	*11(a)*	**24**	18
Operating profit before working capital changes		**40,215**	5,761
Increase in biological assets		**(229)**	–
Decrease in inventories and consumables		**45,383**	7,602
Increase in trade receivables		**(599)**	(1,288)
Decrease in prepayments, deposits and other receivables		**7,454**	16,849
Increase/(decrease) in trade payables		**5,956**	(11,111)
Decrease in receipt in advance, accruals and other payables		**(5,619)**	(6,967)
Cash generated from operations		**92,561**	10,846
Interest paid		**(5,311)**	(6,799)
Income tax paid		**–**	(345)
Net cash from operating activities		**87,250**	3,702

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000 (re-presented)
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	41	–	32,149
Proceeds from disposal of subsidiaries, net of cash disposed	40	38,423	–
Interest received		186	60
Purchase of property, plant and equipment	42(a)	(14,348)	(3,044)
Payments for plantation costs and others to immature bearer plants		(11,717)	–
Purchase of short-term investment		–	(11,200)
Proceeds from disposal of property, plant and equipment		629	348
Proceeds from redemption of short-term investment		11,500	–
Settlement of cash portion of consideration of acquisition in prior year		(110,000)	–
Net cash (used in)/from investing activities		(85,327)	18,313
Cash flows from financing activities			
Proceeds from issue of shares		–	195,200
Shares issuance expenses		(597)	(2,147)
Proceeds from new finance leases	42(b)	3,822	28,210
Repayment of obligations under finance leases	42(b)	(45,256)	(50,134)
Proceeds from new bank borrowings	42(b)	23,000	22,400
Repayment of bank borrowings	42(b)	(24,831)	(40,993)
Payments incurred for renewal of bonds payable	29	–	(60,877)
Repayment of other loans payables	42(b)	(5,289)	–
Net cash (used in)/from financing activities		(49,151)	91,659
Net (decrease)/increase in cash and cash equivalents		(47,228)	113,674
Cash and cash equivalents at the beginning of year		198,456	84,346
Effect of exchange rates changes on cash and cash equivalents		1,328	436
Cash and cash equivalents at the end of year	24	152,556	198,456

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

Eagle Legend Asia Limited (the "Company") is an exempted company with limited liability incorporated in the Cayman Islands. The address of its registered office is located at Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands. Its principal place of business in Hong Kong is located at Room 3607, 36/F., China Resources Building, 26 Harbour Road, Wan Chai, Hong Kong. The Company and its subsidiaries (collectively known as the "Group") is principally engaged in (i) trading of construction machinery and spare parts, leasing of the construction machinery under operating leases, providing repair and maintenance services in respect of the construction machinery; and (ii) cultivation, research, processing and sales of exocarpium citri grandis and its seedlings. The principal activities of the subsidiaries are described in note 38.

The Company's issued shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the Stock Exchange") since 19 July 2010. The immediate and ultimate holding company of the Company is Harbour Luck Investments Limited which is incorporated in Hong Kong with limited liability.

On 15 August 2017, the Group completed its disposal of the entire interests in a subsidiary group which was principally engaged in manufacturing and sales of proprietary Chinese medicines and health products (the "discontinued operation") to an independent third party. The accompanying consolidated financial statements and the comparative figures have been re-presented to reflect the results of the discontinued operation separately.

Certain comparative amounts set out in consolidated statement of changes in equity have been re-presented to conform with current year's presentation for better presentation of the consolidated financial statements.

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements on page 51 to 138 have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRS") issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

(b) Basis of measurement and going concern assumption

The financial statements have been prepared under the historical cost basis, except that the following assets are stated at fair values as explained in the accounting policies set out below:

— land and building carried at fair value; and

— biological assets except for bearer plants

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION *(Continued)*

(b) Basis of measurement and going concern assumption *(Continued)*

During the year, the Group has incurred a loss of approximately HK$7,683,000 and at the end of reporting period, the Group's current liabilities exceeded its current assets by approximately HK$13,959,000. The directors of the Company (the "Directors") consider that the Group will be able to meet its financial obligations as they fall due for twelve months from 31 December 2017, on the basis that (a) an unconditional undertaking from the immediate and ultimate holding company of the Company so as to enable the Group to meet its obligations and liabilities as and when they fall due and to continue its day-to-day business operations as a viable going concern notwithstanding any present or future financial difficulties for coming twelve months at least up to 31 December 2018; and (b) a loan facility of HK$35,000,000 obtained from an independent third party as a liquidity cushion for operating cash flows, of which the loan facility is available to draw down (Note 47). The Directors are of the opinion that, in the absence of unforeseen adverse circumstances, the Group will have sufficient financial resources to finance its working capital requirements for the next twelve months from the reporting period. Accordingly, the financial statements have been prepared on a going concern basis.

If the going concern basis is not appropriate, adjustments would have to be made to reduce the values of the assets to net realisable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

(c) Functional and presentation currency

The financial statements are presented in Hong Kong Dollars ("HK$"), which is the same as the functional currency of the Company.

3. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements for the year ended 31 December 2017 were approved and authorised for issue by the board of directors on 16 March 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. ADOPTION OF HKFRS

(a) Amendments to HKFRS that are mandatorily effective for current year

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to HKFRSs 2014–2016 Cycle	Amendments to HKFRS 12, Disclosure of Interests in Other Entities

Amendments to HKAS 7 — Disclosure Initiative

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The adoption of the amendments has led to the additional disclosure presented in the notes to the consolidated statement of cash flows, note 42(b).

Amendments to HKAS 12 — Recognition of Deferred Tax Assets for Unrealised Losses

The amendments relate to the recognition of deferred tax assets and clarify some of the necessary considerations, including how to account for deferred tax assets related to debt instruments measured of fair value.

The adoption of the amendments has no impact on these financial statements as the clarified treatment is consistent with the manner in which the Group has previously recognised deferred tax assets.

Annual Improvements to HKFRSs 2014-2016 Cycle — Amendments to HKFRS 12, Disclosure of Interests in Other Entities

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 12, Disclosure of Interests in Other Entities, to clarify that the disclosure requirements of HKFRS 12, other than the requirements to disclose summarised financial information, also apply to an entity's interests in other entities classified as held for sale or discontinued operations in accordance with HKFRS 5, Non-Current Assets Held for Sale and Discontinued Operations.

The adoption of the amendments to HKFRS 12 has no impact on these financial statements as the latter treatment is consistent with the manner in which the Group has previously dealt with disclosures relating to its interests in other entities classified as held for sale or discontinued operations in accordance with HKFRS 5.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. ADOPTION OF HKFRS *(Continued)*

(b) New/revised HKFRS that have been issued but are not yet effective

The following new/revised HKFRS, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after 1 January 2021
4 Effective for annual periods beginning on or after a date to be determined

The Directors are in the process of assessing the impact of these new/revised HKFRS and do not intend to adopt them before their respective effective dates. Other than HKFRS 9, HKFRS 15 and HKFRS 16, the Directors expect that the adoption of the new/revised HKFRS above will have no material impact on the financial statements in the period of initial application. Specifically, the Group assesses the impact of HKFRS 9, HKFRS 15 and HKFRS 16 as follows:

HKFRS 9 — Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("FVTPL").

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. ADOPTION OF HKFRS *(Continued)*

(b) New/revised HKFRS that have been issued but are not yet effective *(Continued)*

HKFRS 9 — Financial Instruments *(Continued)*

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

The Directors consider that the application of HKFRS 9 in the future will not have a significant impact on the Group's financial performance and financial position, but in general the new impairment requirements will result in earlier recognition of credit losses of the Group's trade and other receivables. The expected credit loss model under HKFRS 9 requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. Therefore, it is no longer necessary for a credit event to have occurred before credit losses are recognised. The measurement of the loss allowance generally depends on whether there has been a significant increase in credit risk since initial recognition of the instrument HKFRS 9 requires an entity to recognise lifetime expected credit losses for all financial instruments for which there have been significant increases in credit risk since initial recognition considering all reasonable and supportable information, including that which is forward-looking.

In the opinion of the Directors, based on the historical experience of the Group, the default rate of the outstanding balances with customers and other debtors is low. Hence, the Directors anticipate that application of the new impairment requirements under HKFRS 9 would not have material impact on the Group's future financial statements. The above assessments were made based on currently available information and may be subject to changes arising from further reasonable and supportable information being subsequently made available to the Group when the Group adopts HKFRS 9 on the effective date of 1 January 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. ADOPTION OF HKFRS *(Continued)*

(b) New/revised HKFRS that have been issued but are not yet effective *(Continued)*

HKFRS 15 — Revenue from Contracts with Customers and the related Amendments

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to each performance obligation
Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

The amendments to HKFRS 15 included classifications on identification of performance obligation; application of principal versus agent; licenses of intellectual; and transaction requirements.

Based on the preliminary assessment, the Group has identified the following areas which are likely to be affected:

The Group expects that the timing of revenue recognition of certain performance obligations may be affected.

The Group's revenue recognition policies are disclosed in note 5(k). Currently, service income is recognised over time.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. ADOPTION OF HKFRS *(Continued)*

(b) New/revised HKFRS that have been issued but are not yet effective *(Continued)*

HKFRS 15 — Revenue from Contracts with Customers and the related Amendments *(Continued)*

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. HKFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

(i) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

(ii) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

(iii) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

The timing of revenue recognition of certain performance obligations identified in the Group's contracts may change from over time to point in time as they do not meet any of the 3 situations identified under HKFRS 15 for revenue recognition over time. However as these performance obligations are usually satisfied over a short period of time ranging from a few days to a few weeks, the Group does not anticipate any significant impact on its revenue recognition in any particular financial year.

The Group is now in the process of performing a detailed assessment of the impact resulting from the application of HKFRS 15 on its consolidated financial statements and there may be other aspects affected in addition to those disclosed above. The Group is also assessing the transition method it will take and whether to apply any practical expedients on transition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. ADOPTION OF HKFRS *(Continued)*

(b) New/revised HKFRS that have been issued but are not yet effective *(Continued)*

HKFRS 16 — Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases under operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. As disclosed in note 43(b), the Group's future minimum lease payments under non-cancellable operating leases amounted to approximately HK$5,652,000 as at 31 December 2017. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The Group will perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. SIGNIFICANT ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Business combination and basis of consolidation *(Continued)*

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

(b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(c) Goodwill

Goodwill is initially recognised at cost being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests in the acquiree and the acquisition date fair value of the acquirer's previously held equity interest in the acquire over the fair value of identifiable assets and liabilities acquired.

Where the fair value of identifiable assets and liabilities exceed the aggregate of the fair value of consideration paid, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of the acquirer's previously held equity interest in the acquiree, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit from the synergies of the acquisition. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, by comparing its carrying amount with its recoverable amount (see note 5(p)), and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. However, the loss allocated to each asset will not reduce the individual asset's carrying amount to below its fair value less cost of disposal (if measurable) or its value in use (if determinable), whichever is the higher. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Property, plant and equipment

Land and building carried at fair value is property where the fair value of the leasehold land and buildings cannot be measured separately at the inception of the lease and the building is not clearly held under an operating lease which is stated at revalued amounts, being fair value at the date of revaluation less subsequent accumulated depreciation. Fair value is determined in appraisals by external professional valuers with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Any surplus arising on revaluation of land and buildings is recognised in other comprehensive income and is accumulated in the property revaluation reserve in equity, unless the carrying amount of that asset has previously suffered a revaluation decrease. To the extent that any decrease has previously been recognised in profit or loss, a revaluation increase is credited to profit or loss with the remaining part of the increase dealt with in other comprehensive income. A decrease in net carrying amount of land and buildings arising on revaluations is recognised in other comprehensive income to the extent of the revaluation surplus in the property revaluation reserve relating to the same asset and the remaining decrease is recognised in profit or loss.

Buildings held for own use which are situated on leasehold land, where the fair value of the building could be measured separately from the fair value of leasehold land at the inception of the lease, and other items of plant and equipment other than bearer plants and construction in progress, are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance, are charged to profit or loss during the financial period in which they are incurred.

Depreciation is calculated on the straight-line basis to write off the cost of property, plant and equipment, less any estimated residual values, over the following estimated useful lives:

Land and building carried at fair value	Over the lease terms
Buildings carried at cost	25 to 30 years
Leasehold improvements	5 to 30 years
Plant and machinery	5 to 10 years
Furniture and fixture	5 to 6 years
Office and other equipment	2 to 6 years
Motor vehicles	3 to 5 years
Bearer plants	15 years but not exceeding the lease terms of the six parcels of woodlands with total area of 2,151.36 mu (the ''Woodlands'')

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Property, plant and equipment *(Continued)*

The assets' residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at the reporting date.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the term of the relevant lease.

Construction in progress is stated at cost less impairment losses. Construction in progress is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

A bearer plant is a living plant that:

(i) is used in the production or supply of agricultural produce;

(ii) is expected to bear produce for more than one period; and

(iii) has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.

Bearer plants of the Group comprise fruit trees of exocarpium citri grandis ("Fruit Trees") in the Woodlands, exocarpium citri grandis is involved in the agricultural activities of the biological transformation of the plantation of bearer plants for production of agricultural produce for sale or further processing.

Bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment. No depreciation is provided for in respect of bearer plants until they are in the location and condition necessary to be capable of operating in the manner intended by the management, which is the point of maturity of bearer plants.

Bearer plants are stated as cost less impairment losses before they reach maturity. Depreciation of bearer plants is started from the stage that bearer plants reach stage of maturity.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss. Any revaluation surplus remaining in equity is transferred to retained earnings on the disposal of land and building carried at fair value.

(e) Payments for leasehold land held for own use under operating leases

Payments for leasehold land held for own use under operating leases represent up-front payments to acquire long-term interests in lessee-occupied properties. These payments are stated at cost and are amortised over the period of the lease on a straight-line basis as an expense.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Biological assets

A biological asset is a living animal or plant managed by an enterprise which is involved in the agricultural activity of the transformation of biological assets for sale, into agricultural produce, or into additional biological assets. The biological assets of the Group relate to the following:

(i) Consumable biological assets — Exocarpium citri grandis growing on bearer plants ("Growing Produce") and seedlings of exocarpium citri grandis ("Seedlings")

(ii) Agricultural produce — Harvested exocarpium citri grandis ("Fresh Fruits")

The consumable biological assets relate to Growing Produce and Seedlings, which are current assets, because they can be sold at any time not depending on the age. Growing Produce and Seedlings are stated at fair value less estimated costs to sell. Changes in fair value less costs to sell of biological assets except for bearer plants are recognised in the profit or loss.

Agricultural produce harvested from bearer plants is measured at their fair value less costs to sell at the point of harvest. Such measurement is the cost at that date when applying HKAS 2 Inventories. A gain or loss arising from agricultural produce at the point of harvest at fair value less costs to sell is included in profit or loss for the period in which it arises.

(g) Leasing

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

The Group as lessor

Assets leased out under operating leases are measured and presented according to the nature of the assets. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the rental income.

Rental income is recognised in accordance with note 5(k). Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Leasing *(Continued)*

The Group as lessee

Assets held under finance leases are initially recognised as assets at their fair value or, if lower, the present value of the minimum lease payments. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to profit or loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

The land and buildings elements of property leases are considered separately for the purposes of lease classification. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of land and buildings as a finance lease of property, plant and equipment.

(h) Financial instruments

(i) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Financial instruments *(Continued)*

(ii) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— granting concession to a debtor because of debtor's financial difficulty; and

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

For loans and receivables
An impairment loss is recognised in profit or loss and directly reduces the carrying amount of financial asset when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. The Group's financial liabilities include trade and other payables, accruals, bank borrowings, other loans payables, bonds payable, promissory note payable and finance lease payables.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised as in accordance with the Group's accounting policy for borrowing costs.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as an extinguishment of the original liability and the recognition of a new liability, and, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. in the profit or loss. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Financial instruments *(Continued)*

(iii) Financial liabilities *(Continued)*

Bank borrowings

Bank borrowings are recognised initially at fair value, net of transaction costs incurred. Bank borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method.

Bank borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Finance lease payables

Finance lease payables are measured at initial value less the capital element of lease repayments.

Other financial liabilities

Other financial liabilities are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Inventories and consumables

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost of inventories for sales of cranes and spare parts is calculated using first-in-first-out method whereas cost of inventories for sales of proprietary Chinese medicines and health products, and sales of exocarpium citri grandis and its seedlings is determined using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Consumables for own consumption or provision of services are stated at cost. Cost is determined using the weighted average method.

(j) Cash and cash equivalents

Cash and cash equivalents include cash at bank and on hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

(k) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and rendering of services and the use by others of the Group's assets yielding interest, dividend and rentals, net of rebates and discounts. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

(i) Revenue from sales of goods is recognised when the significant risks and rewards of ownership have been transferred to the customers, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold. Normally, risk is transferred upon dispatch of goods and customer has accepted the goods.

(ii) Rental income receivable from operating leases is recognised in profit or loss on a straight-line basis over the periods covered by the lease term, except where an alternative basis is more representative of the time pattern of benefits to be derived from the use of the leased asset.

(iii) Service income is recognised when the services are rendered.

(iv) Interest income is recognised on a time-proportion basis using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised direct in equity.

Current tax assets and current tax liabilities are presented in net if, and only if,

— the Group has the legally enforceable right to set off the recognised amounts; and

— intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

— the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

— the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Foreign currency

Transactions entered into by the Company/group entities in currencies other than currency of the primary economic environment in which it/they operates (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. HK$) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve (attributed to non-controlling interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as foreign exchange reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of reporting period. Exchange differences arising are recognised in the foreign exchange reserve.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Employee benefits

Retirement benefits

Retirement benefits to employees are provided through defined contribution plans.

The employees of the Company's subsidiaries which operate in Hong Kong are required to participate in the Mandatory Provident Fund ("MPF") Schemes, for all of its employees who are eligible to participate in the MPF scheme. Contributions are made based on a percentage of the employees' basic salaries.

The employees of the Company's subsidiaries which operate in Singapore are required to participate in the Central Provident Fund ("CPF") Scheme, for all of its employees who are eligible to participate in the CPF scheme. The Group is required to contribute a certain percentage of its payroll costs to the CPF scheme.

The employees of the Company's subsidiaries which operate in Macao Special Administrative Region ("Macau") and the People's Republic of China, excluding Hong Kong Special Administrative Region ("Hong Kong"), Macau and Taiwan, (the "PRC") are required to participate in central pension scheme operated by the local municipal governments. The Group is required to contribute certain percentage of its payroll costs to the central pension schemes in Macau and the PRC.

Contributions are recognised as an expense in profit or loss as employees render services during the year. The Group's obligations under these plans are limited to the fixed percentage contributions payable.

Short-term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

(o) Share-based payments

Where share options are awarded to employees and others providing similar services, the fair value of the options at the date of grant is recognised in profit or loss over the vesting period with a corresponding increase in the employee share option reserve within equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the end of each reporting period so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where equity instruments are granted to persons other than employees and others providing similar services, the fair value of goods or services received is recognised in profit or loss unless the goods or services qualify for recognition as assets. A corresponding increase in equity is recognised. For cash-settled share based payments, a liability is recognised at the fair value of the goods or services received.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Impairment of assets (other than financial assets)

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

— Property, plant and equipment under cost model;

— Payments for leasehold land held for own use under operating leases; and

— Investments in subsidiaries

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the impairment loss is treated as a revaluation decrease under that HKFRS.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the reversal of the impairment loss is treated as a revaluation increase under that HKFRS.

Value in use is based on the estimated future cash flows expected to be derived from the asset or cash generating unit, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

(q) Capitalisation of borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(r) Government grants

Government grants are recognised when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deferred and recognised in profit or loss over the useful life of the assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which it is probable will result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(t) Share capital and share premium

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Share premium includes any premiums received on the issuance of share over the par value. Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

(u) Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's operating locations.

The Group has identified the following reportable segments:

— Hong Kong

— Singapore

— Vietnam

— Macau

— PRC

Each of these operating segments is managed separately as each of the product and service lines requires different resources. All inter-segment transfers are carried out at prices mutually agreed between the parties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Segment reporting *(Continued)*

The measurement policies the Group uses for reporting segment results under HKFRS 8 are the same as those used in its financial statements prepared under HKFRS, except that:

— Interests on bonds payable

— Interests on promissory note payable

— Certain finance costs

— Corporate income and expenses which are not directly attributable to the business activities or any operating segment

are not included in arriving the operating results of the operating segment.

Segment assets include all assets but exclude short-term investment and corporate assets which are not directly attributable to the business activities of any operating segment and are not allocated to a segment, which primarily applies to the Group's headquarter. Segment liabilities exclude bonds payable, promissory note payable and corporate liabilities which are not directly attributable to the business activities of any operating segment and are not allocated to a segment.

(v) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Related parties *(Continued)*

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

6. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

In the application of the Group's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS *(Continued)*

(a) Going concern consideration

The assessment of the going concern assumption involves making a judgement by the Directors, at a particular point of the time, about the future outcome of events or conditions which are inherently uncertain. The Directors consider that the Company has the capability to continue as a going concern and the going concern assumption is set out in note 2(b).

(b) Useful life of property, plant and equipment

The Group determines the estimated useful lives and related depreciation charges for the Group's property, plant and equipment based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(c) Fair value measurement

A number of assets and liabilities included in the Group's financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

- Level 1: Quoted prices in active markets for identical items (unadjusted);
- Level 2: Observable direct or indirect inputs other than Level 1 inputs;
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The Group measures a number of items at fair value:

- Revalued land and buildings — Property, plant and equipment (Note 16);
- Biological assets except for bearer plants (Note 19).

For more detailed information in relation to the fair value measurement of the items above, please refer to the applicable notes.

(d) Allowance for slow-moving inventories

Allowance for slow-moving inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS *(Continued)*

(e) Impairment of trade and other receivables

The Group makes provision for impairment losses on trade and other receivables based on assessments of the recoverability of the trade and other receivables, including credit history of default or delay in payments, settlement records, subsequent settlements and ageing analysis. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment losses on trade and other receivables requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed. If the financial conditions of the debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional provision may be required.

(f) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 5(c). The recoverable amounts of cash-generating units have been determined based on value in use calculations. These calculations require the use of estimates. When value in use calculations are undertaken, management estimates the expected future cash flows from the asset or cash-generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows with the assistance of independent professional valuer.

(g) Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating units and choose a suitable discount rate in order to calculate the present value to those cash flows. When fair value less costs of disposal calculations are undertaken, the fair value was estimated with the assistance of independent professional valuer using depreciated replacement cost approach and make reference to recent market rate in similar assets adjusted for differences in condition in order to determine the fair value.

(h) Bearer plants and depreciation

The Group determines the estimated point of maturity, useful lives and related depreciation charges for the Group's bearer plants. This estimate is based on the historical experience of the point of maturity and actual useful lives of bearer plants of particular species. The Group will revise the depreciation charge where point of maturity and useful lives are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. SEGMENT INFORMATION

The Group's operating businesses are structured and managed separately according to the geographic location of their operations. Each of the Group's operating segments represents a strategic business unit that offers products and services from which are subject to risks and returns that are different from those of the other operating segments. Information regarding the Group's reportable segments as provided to the Group's executive Directors is set out below:

	Continuing operations							Discontinued operation			
	Hong Kong HK$'000	Singapore HK$'000	Vietnam HK$'000	Macau HK$'000	PRC HK$'000	Inter segment elimination HK$'000	Subtotal HK$'000	Hong Kong HK$'000	PRC HK$'000	Subtotal HK$'000	Total HK$'000
Year ended 31 December 2017											
Revenue											
From external customers	60,529	56,945	–	–	89,331	–	206,805	–	38,666	38,666	245,471
From inter segment	–	4,430	–	–	–	(4,430)	–	–	–	–	–
Reportable segment revenue	60,529	61,375	–	–	89,331	(4,430)	206,805	–	38,666	38,666	245,471
Reportable segment (loss)/profit	(3,548)	(13,267)	(72)	(32)	67,224	–	50,305	(7)	326	319	50,624
Interest on bonds payable							(36,122)			–	(36,122)
Interest on promissory note payable							(9,019)			–	(9,019)
Unallocated corporate expenses							(13,166)			–	(13,166)
(Loss)/profit for the year							(8,002)			319	(7,683)

	Continuing operations							Discontinued operation			
	Hong Kong HK$'000	Singapore HK$'000	Vietnam HK$'000	Macau HK$'000	PRC HK$'000	Inter segment elimination HK$'000	Subtotal HK$'000	Hong Kong HK$'000	PRC HK$'000	Subtotal HK$'000	Total HK$'000
Other reportable segment information											
Interest income	2	5	–	–	176	–	183	–	3	3	186
Interest expenses	(1,510)	(3,176)	–	–	–	–	(4,686)	–	(625)	(625)	(5,311)
Gain arising from changes in fair value less costs to disposal of biological assets	–	–	–	–	49,639	–	49,639	–	–	–	49,639
Amortisation on payments for leasehold land held for own use under operating leases	–	–	–	–	–	–	–	–	(372)	(372)	(372)
Depreciation of non-financial assets	(14,862)	(25,629)	–	–	(14,354)	–	(54,845)	–	(2,181)	(2,181)	(57,026)
Recovery of impairment loss on trade receivables, net	–	31	–	–	–	–	31	–	–	–	31
Gain on disposal of property, plant and equipment	26	36	–	–	–	–	62	–	–	–	62
Write-down of inventories	–	–	–	–	–	–	–	–	(201)	(201)	(201)
Amortisation of deferred government grants for acquisition of property, plant and equipment	–	–	–	–	1,285	–	1,285	–	–	–	1,285
Income tax credit	226	1,698	–	–	–	–	1,924	–	323	323	2,247
Additions to non-current segment assets during the year	35,771	5,858	–	–	21,860	–	63,489	–	82	82	63,571

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. SEGMENT INFORMATION *(Continued)*

	Hong Kong HK$'000	Singapore HK$'000	Vietnam HK$'000	Macau HK$'000	PRC HK$'000	Inter segment elimination HK$'000	Total HK$'000
At 31 December 2017							
Reportable segment assets	159,492	182,991	105	192	427,880	(2,510)	768,150
Other unallocated segment asset							52,526
Total assets							820,676
Reportable segment liabilities	72,938	81,762	280	126	21,281	–	176,387
Bonds payable							77,803
Other unallocated segment liability							70,529
Total liabilities							324,719

	Continuing operations							Discontinued operation			
	Hong Kong HK$'000	Singapore HK$'000	Vietnam HK$'000	Macau HK$'000	PRC HK$'000	Inter segment elimination HK$'000	Subtotal HK$'000	Hong Kong HK$'000	PRC HK$'000	Subtotal HK$'000	Total HK$'000 (re-presented)
Year ended 31 December 2016											
Revenue											
From external customers	68,975	86,669	–	516	–	–	156,160	–	58,454	58,454	214,614
From inter segment	1,843	2,706	–	–	–	(4,549)	–	–	–	–	–
Reportable segment revenue	70,818	89,375	–	516	–	(4,549)	156,160	–	58,454	58,454	214,614
Reportable segment (loss)/profit	(10,437)	(13,514)	(21)	(29)	–	7	(23,994)	(10)	(7,878)	(7,888)	(31,882)
Interest on bonds payable							(20,260)			–	(20,260)
Unallocated corporate expenses							(20,008)			–	(20,008)
Loss for the year							(64,262)			(7,888)	(72,150)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. SEGMENT INFORMATION *(Continued)*

	Continuing operations							Discontinued operation			
	Hong Kong HK$'000	Singapore HK$'000	Vietnam HK$'000	Macau HK$'000	PRC HK$'000	Inter segment elimination HK$'000	Subtotal HK$'000	Hong Kong HK$'000	PRC HK$'000	Subtotal HK$'000	Total HK$'000 (re-presented)
Other reportable segment information											
Interest income	40	12	–	–	–	–	52	–	8	8	60
Interest expenses	(1,098)	(4,284)	–	–	–	–	(5,382)	–	(1,416)	(1.416)	(6,798)
Amortisation on payments for leasehold land held for own use under operating leases	–	–	–	–	–	–	–	–	(544)	(544)	(544)
Depreciation of non-financial assets	(12,904)	(27,919)	–	–	–	–	(40,823)	–	(3,084)	(3,084)	(43,907)
Gain on disposal of property, plant and equipment	93	67	–	–	–	–	160	–	–	–	160
Impairment loss on property, plant and equipment	(718)	(7,794)	–	–	–	–	(8,512)	–	–	–	(8,512)
Write-down of inventories to net realisable value and provision for impairment of inventories	(107)	(933)	–	–	–	–	(1,040)	–	(656)	(656)	(1,696)
Written off of inventories	(18)	–	–	–	–	–	(18)	–	–	–	(18)
Income tax credit	660	1,905	–	34	–	–	2,599	–	961	961	3,560
Additions to non-current segment assets during the year	15,944	23,511	–	–	–	–	39,455	–	598	598	40,053

	Hong Kong HK$'000	Singapore HK$'000	Vietnam HK$'000	Macau HK$'000	PRC HK$'000	Inter segment elimination HK$'000	Total HK$'000
At 31 December 2016							
Reportable segment assets	143,419	215,988	89	391	452,806	(2,511)	810,182
Short-term investment							11,200
Other unallocated segment asset							141,209
Total assets							962,591
Reportable segment liabilities	57,948	102,714	272	300	111,823	–	273,057
Bonds payable							41,681
Promissory note payable							89,477
Other unallocated segment liabilities							180,529
Total liabilities							584,744

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. SEGMENT INFORMATION *(Continued)*

The following tables present (i) the revenue from external customers by locations/jurisdictions of customers from which the Group derived revenue for the year and (ii) non-current assets by locations of assets.

Revenue from external customers

	Hong Kong (domicile) HK$'000	Singapore HK$'000	Vietnam HK$'000	Macau HK$'000	PRC HK$'000	Sri Lanka HK$'000	Korea HK$'000	Thailand HK$'000	United Arab Emirates HK$'000	Total HK$'000 (re-presented)
Continuing operations										
Year ended 31 December 2017	**59,454**	**34,610**	**1,624**	**–**	**89,331**	**558**	**17,543**	**–**	**3,685**	**206,805**
Year ended 31 December 2016	56,340	55,762	–	516	–	1,174	41,962	406	–	156,160
Discontinued operation										
Year ended 31 December 2017	**–**	**–**	**–**	**–**	**38,666**	**–**	**–**	**–**	**–**	**38,666**
Year ended 31 December 2016	–	–	–	–	58,454	–	–	–	–	58,454

Non-current assets

	Hong Kong (domicile) HK$'000	Singapore HK$'000	PRC HK$'000	Total HK$'000
At 31 December 2017	**111,566**	**159,448**	**315,243**	**586,257**
At 31 December 2016	167,474	177,975	273,922	619,371

The Group's revenue from external customers for different products and services is set out in note 8.

Information about a major customer

Revenue from one customer of the Group's PRC (2016: PRC) segment amounted to approximately HK$21,574,000 (2016: approximately HK$24,728,000), which represented approximately 9% (2016: approximately 12%) of the Group's consolidated revenue, including the revenue from discontinued operation for the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. REVENUE

Revenue from the Group's principal activities as set out in note 1 during the year is as follows:

	2017 HK$'000	2016 HK$'000 (re-presented)
Continuing operations		
Sales of machinery	**28,354**	54,406
Sales of spare parts	**5,399**	5,523
Rental income from leasing of owned plant and machinery and those held under finance leases	**55,155**	67,306
Rental income from subleasing of plant and machinery	**1,371**	1,281
Service income	**27,195**	27,644
Sales of dried exocarpium citri grandis ("Dried Fruits")	**89,331**	–
	206,805	156,160
Discontinued operation		
Sales of proprietary Chinese medicines and health products *(Note 11(b))*	**38,666**	58,454
	245,471	214,614

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. OTHER INCOME AND GAINS

	2017 HK$'000	2016 HK$'000 (re-presented)
Continuing operations		
Bank interest income	183	52
Exchange gain, net	2,703	–
Compensation received	417	857
Gain on early settlement of promissory note payable	5,496	–
Gain on disposal of property, plant and equipment	62	160
Government grants and subsidies		
— Relating to unconditional subsidies *(Note)*	92	–
— Amortisation of deferred government grants for acquisition of property, plant and equipment *(Note 32)*	1,285	–
Recovery of impairment loss on trade receivables, net	31	–
Recovery of impairment loss on other receivable, net	–	91
Others	2,071	721
	12,340	1,881
Discontinued operation		
Bank interest income	3	8
Government grants and subsidies		
— Relating to unconditional subsidies *(Note)*	120	–
Others	1	22
(Note 11(b))	124	30
	12,464	1,911

Note: The amounts mainly represented unconditional cash subsidies from government for subsidising enterprises involving in specific industry in the region.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. FINANCE COSTS

	2017 HK$'000	2016 HK$'000 (re-presented)
Continuing operations		
Interest charges on financial liabilities stated at amortised cost:		
— Bank borrowing	877	1,207
— Bonds payable	36,122	20,260
— Finance lease payables	3,809	4,093
— Trade payables	–	82
— Promissory note payable	9,019	–
	49,827	25,642
Discontinued operation		
Interest charges on financial liabilities stated at amortised cost:		
— Bank borrowings *(Note 11(b))*	625	1,416
	50,452	27,058

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. LOSS BEFORE INCOME TAX

(a) Loss before income tax is arrived at after charging/(crediting):

	2017 HK$'000	2016 HK$'000 (re-presented)
Continuing operations		
Auditor's remuneration		
— Current year	1,255	959
— Under provision in respect of prior year	300	148
Cost of inventories recognised as an expense	51,734	59,461
Depreciation of property, plant and equipment *(Note (i))*		
— Owned assets	37,938	20,775
— Assets held under finance leases	16,907	20,048
	54,845	40,823
Maintenance cost of mature bearer plants	12,908	–
(Recovery of impairment loss)/impairment loss on trade receivables, net *(Note (ii))*	(31)	29
Recovery of impairment loss on other receivable, net	–	(91)
Write-down of inventories to net realisable value and provision for impairment of inventories *(Note (iii))*	–	1,040
Written off of inventories *(Note (iii))*	–	18
Gain on disposal of property, plant and equipment	(62)	(160)
Impairment loss on property, plant and equipment *(Note (iv))*	–	8,512
Written off of property, plant and equipment	24	18
Operating lease charges in respect of the Woodlands, land and premises	4,858	4,727
Employee costs (including Directors' remunerations *(Note 15)*) *(Note (v))*		
— Wages, salaries and bonus	40,538	37,701
— Contribution to defined contribution plans	4,500	2,767
	45,038	40,468
Net foreign exchange (gain)/loss	(2,703)	47
Net rental income from subletting of plant and machinery	(89)	(281)
Discontinued operation		
Cost of inventories recognised as an expense	32,886	55,441
Depreciation of property, plant and equipment *(Note (i))*		
— Owned assets	2,181	3,084
Amortisation of payments for leasehold land held for own use under operating lease *(Note (i))*	372	544
Write-down of inventories to net realisable value *(Note (iii))*	201	656
Employee costs *(Note (v))*		
— Wages, salaries and bonus	3,489	5,529
— Contribution to defined contribution plans	1,081	1,464
	4,570	6,993

Notes:

(i) Depreciation and amortisation of payments for leasehold land held for own use under operating lease had been included in cost of sales and services and other operating expenses.

(ii) Recovery of impairment loss on trade receivables, net had been included in other income and gains whereas impairment loss on trade receivables, net had been included in administrative expenses.

(iii) Write-down of inventories to net realisable value and provision of impairment of inventories and written off of inventories had been included in cost of sales and services.

(iv) Impairment loss on property, plant and equipment had been included in other operating expenses.

(v) Employee costs (including Directors' remunerations) had been included in cost of sales and services and administrative expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. LOSS BEFORE INCOME TAX *(Continued)*

(b) Discontinued operation

On 1 August 2017, the Company entered into a sale and purchase agreement to dispose of Alpha Chance Limited, Alpha Chance Limited and its subsidiaries (collectively as "Alpha Chance Group"), which was principally engaged in the manufacturing and sale of proprietary Chinese medicines and health products in the PRC. The disposal was effected to streamline the non-core business. The disposal was completed on 15 August 2017, the date on which the control of the Alpha Chance Group passed to the acquirer.

The sale, results and cash flows of Alpha Chance Group were as follows:

	From 1 January to 15 August 2017 HK$'000	From 1 January to 31 December 2016 HK$'000
Revenue *(Note 8)*	**38,666**	58,454
Cost of sales	**(33,276)**	(57,024)
Gross profit	**5,390**	1,430
Other income *(Note 9)*	**124**	30
Selling and distribution expenses	**(297)**	(428)
Administrative expenses	**(4,035)**	(5,827)
Other operating expenses	**(1,792)**	(2,638)
Finance costs *(Note 10)*	**(625)**	(1,416)
Loss before income tax *(Note 11(a))*	**(1,235)**	(8,849)
Income tax credit *(Note 12)*	**323**	961
Loss after tax from discontinued operation	**(912)**	(7,888)
Gain on disposal of subsidiaries *(Note 40)*	**1,231**	–
Profit/(loss) for the year from discontinued operation	**319**	(7,888)
Operating cash flows	**(863)**	17,673
Investing cash flows	**(79)**	(598)
Financing cash flows	**50**	(17,315)
Total cash outflows	**(892)**	(240)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. LOSS BEFORE INCOME TAX *(Continued)*

(b) Discontinued operation *(Continued)*

The carrying amounts of the assets and liabilities of Alpha Chance Group at the date of disposal are disclosed in note 40 to the financial statements.

A gain of approximately HK$1,231,000 arose on the disposal of Alpha Chance Group, being the proceeds of disposal less the carrying amount of the subsidiary group's net liabilities and associated transaction costs. No tax charge or credit arose from the disposal.

For the purpose of presenting discontinued operation, the comparative figures have been re-presented as if the operation discontinued during the year had been discontinued at the beginning of the comparative period.

12. INCOME TAX CREDIT

	Continuing operations		Discontinued operation		Total	
	2017 HK$'000	2016 HK$'000 (re-represented)	**2017 HK$'000**	2016 HK$'000 (re-represented)	**2017 HK$'000**	2016 HK$'000 (re-represented)
Current tax — Macau						
— Over provision in respect of prior years	**–**	(34)	**–**	–	**–**	(34)
	–	(34)	**–**	–	**–**	(34)
Deferred tax						
— Current year *(Note 33)*	**(1,924)**	(2,565)	**(323)**	(961)	**(2,247)**	(3,526)
Total income tax credit	**(1,924)**	(2,599)	**(323)**	(961)	**(2,247)**	(3,560)

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("BVI"), the Group is not subject to any taxation under the jurisdictions of the Cayman Islands and the BVI.

Hong Kong, Singapore and Vietnam profits tax, Macau Complementary Tax and PRC Enterprise Income Tax ("EIT") have not been provided as the Group has no assessable profits in respective jurisdictions for the years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. INCOME TAX CREDIT *(Continued)*

According to the PRC tax law, its rules and regulations, enterprises that engage in certain qualifying agricultural business are eligible for certain tax benefits, including full EIT exemption on profits derived from such business. For a subsidiary of the Group engaged in qualifying agricultural business in the PRC, it is entitled to full exemption of EIT for the years.

A reconciliation of income tax credit and accounting loss at applicable tax rate is as follows:

	2017 **HK$'000**	2016 HK$'000 (re-represented)
Loss before income tax		
— From continuing operations	**(9,926)**	(66,861)
— From discontinued operation *(Note 11(b))*	**(1,235)**	(8,849)
	(11,161)	(75,710)
Tax calculated at the domestic tax rate of 16.5%	**(1,842)**	(12,492)
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	**5,387**	(826)
Tax effect of non-deductible expenses	**10,316**	9,284
Tax effect of non-taxable income	**(1,305)**	(874)
Tax effect of temporary difference not recognised	**(228)**	720
Tax effect of tax losses not recognised	**1,448**	902
Tax effect of utilisation of tax losses previously not recognised	**–**	(172)
Tax effect of tax exemptions granted to a PRC subsidiary	**(16,658)**	–
Over provision in respect of prior year	**–**	(34)
Others	**635**	(68)
Income tax credit	**(2,247)**	(3,560)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. DIVIDEND

The Directors do not recommend the payment of any dividend for the year ended 31 December 2017 (2016: nil).

14. (LOSS)/EARNINGS PER SHARE

(i) Continuing and discontinued operations

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on following data:

	2017	2016 (re-presented)
Loss		
Loss for the purposes of basic and diluted loss per share (HK$'000)	(47,449)	(72,143)
Number of shares		
Weighted average number of ordinary shares	970,684,932	874,316,940
Basic and diluted loss per share (HK cents)	(4.89)	(8.25)

Diluted loss per share equals to basic loss per share, as there were no potential dilutive ordinary shares issued during the years ended 31 December 2016 and 2017.

(ii) Continuing operations

	2017 HK$'000	2016 HK$'000 (re-presented)
Loss for the year attributable to owners of the Company	(47,449)	(72,143)
Less: Profit/(loss) for the year from discontinued operation	319	(7,888)
	(47,768)	(64,255)
Basic and diluted loss per share from continuing operations (HK cents)	(4.92)	(7.35)

(iii) Discontinued operation

	2017 HK$'000	2016 *HK$'000* (re-presented)
Profit/(loss) for the year attributable to owners of the Company	319	(7,888)
Basic and diluted earnings/(loss) per share from discontinued operation (HK cents)	0.03	(0.90)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. DIRECTORS' REMUNERATIONS AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' remunerations

	Directors' fees HK$'000	Salaries, allowances and other benefits* HK$'000	Discretionary bonuses HK$'000	Defined contribution plans HK$'000	Total HK$'000
2017					
Executive directors					
Mr. Zeng Li	–	1,200	100	18	1,318
Mr. Winerthan Chiu	–	800	67	18	885
Mr. Chan Ka Lun	–	600	50	18	668
Independent non-executive directors					
Mr. Wan Tze Fan Terence	180	–	–	–	180
Mr. Tsui Robert Che Kwong	180	–	–	–	180
Ms. Yang Yan Tung Doris	180	–	–	–	180
	540	2,600	217	54	3,411

	Directors' fees HK$'000	Salaries, allowances and other benefits* HK$'000	Discretionary bonuses HK$'000	Defined contribution plans HK$'000	Total HK$'000
2016					
Executive directors					
Mr. Zeng Li	–	1,200	100	18	1,318
Mr. Winerthan Chiu	–	800	67	18	885
Mr. Chan Ka Lun	–	600	50	18	668
Non-executive director					
Mr. Wu Bang Xing *(Note)*	48	–	–	–	48
Independent non-executive directors					
Mr. Wan Tze Fan Terence	122	–	–	–	122
Mr. Tsui Robert Che Kwong	122	–	–	–	122
Ms. Yang Yan Tung Doris	122	–	–	–	122
	414	2,600	217	54	3,285

Note: Mr. Wu Bang Xing resigned as non-executive director on 23 June 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. DIRECTORS' REMUNERATIONS AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(a) Directors' remunerations *(Continued)*

There were no arrangements under which a director waived or agreed to waive any remuneration during the year (2016: nil).

* Being "salaries, allowances and other benefits" paid or payable in connection with the management of the affairs of the Group.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group included 1 director (2016: 1 director) whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 4 (2016: 4) non-director highest paid individuals for the year are as follows:

	2017 HK$'000	2016 HK$'000
Salaries and other emoluments	4,728	4,957
Discretionary bonuses	317	928
Defined contribution plans	204	179
	5,249	6,064

The emoluments of non-director highest paid individuals fell within the following bands:

	2017	2016
HK$1,000,001 to HK$1,500,000	3	1
HK$1,500,001 to HK$2,000,000	1	3

(c) Senior management's emoluments

The emoluments paid or payable to 8 (2016: 9) members of senior management whose emoluments fell within the following bands:

	2017	2016
Nil to HK$1,000,000	5	7
HK$1,000,001 to HK$1,500,000	2	1
HK$1,500,001 to HK$2,000,000	1	1

During the year, no emoluments were paid by the Group to the directors or any of the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office (2016: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. PROPERTY, PLANT AND EQUIPMENT

	Land and building carried at fair value HK$'000	Buildings carried at cost HK$'000	Plant and machinery HK$'000	Furniture and fixture HK$'000	Office and other equipment HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Bearer plants HK$'000	Construction in progress HK$'000	Total HK$'000
At 1 January 2016										
Cost or valuation	10,498	84,213	463,459	2,232	4,405	9,897	4,695	–	–	579,399
Accumulated depreciation	–	(13,323)	(204,557)	(1,920)	(3,811)	(5,055)	(728)	–	–	(229,394)
Net carrying amount	10,498	70,890	258,902	312	594	4,842	3,967	–	–	350,005
Year ended 31 December 2016										
Opening net carrying amount	10,498	70,890	258,902	312	594	4,842	3,967	–	–	350,005
Acquired through business combination *(Note 41)*	–	–	14,848	–	67	248	–	189,157	12,557	216,877
Additions	–	–	39,161	33	232	579	48	–	–	40,053
Disposals	–	–	–	–	–	(188)	–	–	–	(188)
Depreciation	(328)	(3,792)	(37,875)	(102)	(297)	(1,334)	(179)	–	–	(43,907)
Written-off	–	–	(16)	–	(2)	–	–	–	–	(18)
Transfer to inventories	–	–	(24,360)	–	–	–	–	–	–	(24,360)
Valuation adjustment	(272)	–	–	–	–	–	–	–	–	(272)
Impairment loss	–	–	(8,512)	–	–	–	–	–	–	(8,512)
Exchange differences	–	(3,025)	(3,793)	(6)	(8)	(53)	(77)	–	–	(6,962)
Closing net carrying amount	9,898	64,073	238,355	237	586	4,094	3,759	189,157	12,557	522,716
At 31 December 2016										
Cost or valuation	9,898	80,844	449,495	2,131	4,190	9,457	4,620	193,111	12,557	766,303
Accumulated depreciation and impairment	–	(16,771)	(211,140)	(1,894)	(3,604)	(5,363)	(861)	(3,954)	–	(243,587)
Net carrying amount	9,898	64,073	238,355	237	586	4,094	3,759	189,157	12,557	522,716

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Land and building carried at fair value HK$'000	Buildings carried at cost HK$'000	Plant and machinery HK$'000	Furniture and fixture HK$'000	Office and other equipment HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Bearer plants HK$'000	Construction in progress HK$'000	Total HK$'000
Year ended 31 December 2017										
Opening net carrying amount	9,898	64,073	238,355	237	586	4,094	3,759	189,157	12,557	522,716
Additions	–	–	43,410	46	488	1,845	23	11,717	6,042	63,571
Transfer from consumable biological assets *(Note 19)*	–	–	–	–	–	–	–	6	–	6
Transfer	–	–	18,935	–	–	–	–	–	(18,935)	–
Disposal	–	–	(25)	–	–	(542)	–	–	–	(567)
Disposal of subsidiaries *(Note 40)*	–	(29,803)	(5,098)	(44)	(122)	(102)	–	–	–	(35,169)
Depreciation	(319)	(3,194)	(39,970)	(85)	(422)	(1,473)	(193)	(11,370)	–	(57,026)
Written-off	–	–	(20)	–	(4)	–	–	–	–	(24)
Transfer to inventories	–	–	(17,973)	–	–	–	–	–	–	(17,973)
Valuation adjustment	1,819	–	–	–	–	–	–	–	–	1,819
Exchange differences	–	4,606	14,685	5	20	164	326	13,527	336	33,669
Closing net carrying amount	11,398	35,682	252,299	159	546	3,986	3,915	203,037	–	511,022
At 31 December 2017										
Cost or valuation	11,398	46,932	467,189	1,798	4,159	10,416	5,041	219,138	–	766,071
Accumulated depreciation and impairment	–	(11,250)	(214,890)	(1,639)	(3,613)	(6,430)	(1,126)	(16,101)	–	(255,049)
Net carrying amount	11,398	35,682	252,299	159	546	3,986	3,915	203,037	–	511,022

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The Group is exposed to a number of risks related to Fruit Trees plantation. Details have been disclosed in note 19.

The Group's land and building carried at fair value were valued at 31 December 2017 (2016: 31 December 2016) on an open market value basis by a firm of independent qualified professional surveyor, LCH (Asia-Pacific) Surveyors Limited ("LCH"), members of LCH are professional members of the Hong Kong Institute of Surveyors. Fair values were estimated based on recent market transactions, which were then adjusted for the time, floor and size relating to the land and building. The revaluation surplus was credited to other comprehensive income. The fair value of land and building is a level 2 recurring fair value measurement. During the year there were no transfer occurred between levels on the hierarchy.

Had the land and building carried at fair value been measured on cost model, the net carrying amount would have been as follows:

	2017 **HK$'000**	2016 HK$'000
Cost	**1,871**	1,871
Accumulated depreciation	**(888)**	(854)
Net carrying amount	**983**	1,017

The Group's land and building carried at fair value was situated in Hong Kong and was held under medium term lease.

The Group's buildings carried at cost less accumulated depreciation and accumulated impairment losses were situated in Singapore and the PRC and were held under medium term lease.

The Group's bearer plants represent Fruit Trees on the Woodlands located in Huazhou City in the PRC, of which five Forestry Rights Certificates have been issued to the Group for the purpose of plantation of exocarpium citri grandis.

Prior to the business combination (Note 41) on 23 December 2016, Guangdong Dahe Biological Technologies Limited* ("Guangdong Dahe") entered into agreements with relevant local village economic cooperatives and obtained Forestry Rights Certificates in respect of five parcels of woodlands with a total area of 2,035.36 mu, which entitle Guangdong Dahe to use these woodlands until 1 October 2034 under operating leases. The ownerships of these woodlands are held respectively by five local village economic cooperatives in Huazhou City.

* The English translation of the company is for reference only. The official name of this company is in Chinese (i.e. 廣東大合生物科技股份有限公司).

Pursuant to an agreement dated 12 December 2013 entered into by Guangdong Dahe and another local village economic cooperative, being the owner of the sixth parcel of woodland with an area of 116 mu, Guangdong Dahe has been contracted the rights to use such woodland and the rights to own and use the forestry trees on such woodland for the period from 1 October 2013 to 1 December 2034.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The Group is in process of obtaining the Forestry Rights Certificate for the sixth parcel of woodland. In the opinion of the Directors, there is no legal impediment for the Group to obtain the aforesaid Forestry Rights Certificate as confirmed by legal adviser in the PRC.

At 31 December 2017, the net carrying amount of the Group's land and building carried at fair value with an amount of approximately HK$11,398,000 (2016: approximately HK$9,898,000) were pledged as security for general banking facilities which included the finance lease facilities.

At 31 December 2017, the net carrying amount of the Group's plant and machinery included an amount of approximately HK$139,865,000 (2016: approximately HK$154,677,000) in respect of assets held under finance leases (Note 31).

At 31 December 2017, the net carrying amount of the Group's building carried at cost with an amount of approximately HK$35,682,000 (2016: the Group's buildings carried at cost with an amount of approximately HK$64,073,000) were pledged as security for bank borrowings (Note 27).

For the year ended 31 December 2016, the management identified impairment indicator of certain plant and machinery in Hong Kong and Singapore under the leasing of construction machinery operation with reference to the decline of recent market rental rate. An impairment loss of approximately HK$8,512,000 was recognised in other operating expenses to write the carrying amount of the plant and machinery down to its recoverable amount of approximately HK$238,355,000. The recoverable amount of these plant and machinery were based on higher of its fair value less costs of disposal and its value in use. The recoverable amount of certain portion of plant and machinery was determined by the value in use calculations based on cash flow projections under the leasing of construction machinery operation with discount rates used of 3.9% and 4.6% while the recoverable amount of some portion of plant and machinery was determined by the fair value less costs of disposal of plant and machinery under the leasing of construction machinery operation using depreciated replacement cost approach and market approach, where appropriate. Under depreciated replacement cost approach, adjustment was then made for accrued depreciation from physical deterioration, condition, utility, age and functional and economic/external obsolescence whereas under market approach, adjustments were made to the indicated market prices to reflect condition and utility of the appraised assets relative to the market comparative. The above adjusting factors applied are the key assumptions used in the valuations. The fair value less costs of disposal of the plant and machinery is classified as a level 3 measurement.

17. PAYMENTS FOR LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASES

	HK$'000
At 1 January 2016	21,586
Amortisation charge	(544)
Exchange differences	(1,439)
At 31 December 2016	19,603
At 1 January 2017	**19,603**
Amortisation charge	**(372)**
Disposal of subsidiaries *(Note 40)*	**(20,271)**
Exchange differences	**1,040**
At 31 December 2017	**–**

The above land was held under medium term lease and is located in the PRC. At 31 December 2016, the above land was pledged as security for bank borrowings (Note 27).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. GOODWILL

The amount of goodwill capitalised as an asset recognised in the consolidated statement of financial position, arising from business combination in prior year (Note 41), is as follows:

	2017 HK$'000	2016 HK$'000
At 1 January		
Net carrying amount	75,036	–
Year ended 31 December		
Opening net carrying amount	75,036	–
Acquired through business combination *(Note 41)*	–	75,036
Closing net carrying amount	75,036	75,036
At 31 December		
Net carrying amount	75,036	75,036

For the purpose of impairment testing, goodwill is allocated to the cash generating unit ("CGU") in relation to business of cultivation, research, processing and sales of exocarpium citri grandis and its seedlings in the PRC identified as follows:

	2017 HK$'000	2016 HK$'000
Carrying amount of goodwill	75,036	75,036

The recoverable amount of the CGU has been determined from value in use calculations based on cash flow projections from formally approved budgets covering a five-year period by management with the assistance of Greater China Appraisal Limited, an independent professional valuer. Cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate of 3% (2016: 3%), which does not exceed the long-term growth rate for the business in which the CGU operates, was set by reference to the forecasted inflation rate in the PRC:

	2017 %	2016 %
Discount rate	23	23
Growth rate on revenue within five-year period	3–84	15–89

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. GOODWILL *(Continued)*

The key assumptions used for the value in use calculations for the CGU include projected unit market price of Dried Fruits and annual productions forecast of Dried Fruits which have been determined by the Group's management based on past performance, its expectations for the industry development and research by respective expert. The growth rate on revenue within five-year period was derived from the projected annual revenue figures. The revenue projections of the CGU during the five-year period consisted of sales of Dried Fruits and sales of Seedlings. Sales of the Dried Fruits during the five-year period were projected based on the projected unit market price of Dried Fruits multiplied by the annual production forecast of the Group's Dried Fruits. Sales of the Seedlings during the five-year period were projected based on the historical sales of the Seedlings and assumed that such revenue will increase at an annual growth rate of 3%, which was set by reference to the forecasted inflation rate in the PRC.

The discount rate used is pre-tax and reflect specific risks relating to the relevant CGU.

The Group's management believes that any reasonably possible changes in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the CGU.

19. BIOLOGICAL ASSETS

Biological assets represent Growing Produce, Fresh Fruits and Seedlings. Biological assets are analysed as follows:

	Growing Produce HK$'000	Fresh Fruits HK$'000	Seedlings HK$'000	Total HK$'000
At 1 January 2016	–	–	–	–
Acquired through business combination *(Note 41)*	–	–	5,164	5,164
At 31 December 2016 and 1 January 2017	**–**	**–**	**5,164**	**5,164**
Increase due to feeding (plantation costs and others)	**–**	**–**	**229**	**229**
Transfer to bearer plant *(Note 16)*	**–**	**–**	**(6)**	**(6)**
Gain arising from changes in fair value less costs to sell	**2,049**	**47,590**	**–**	**49,639**
Transfer due to harvest	**(2,049)**	**2,049**	**–**	**–**
Transfer to inventories	**–**	**(49,639)**	**–**	**(49,639)**
Exchange differences	**–**	**–**	**379**	**379**
At 31 December 2017	**–**	**–**	**5,766**	**5,766**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. BIOLOGICAL ASSETS *(Continued)*

The quantities of biological assets as at the reporting date were as follows:

	2017	2016
Seedlings (by unit)	**373,503**	373,905

The values of agricultural produce harvested measured at fair value less costs to sell during the reporting period were as follows:

	2017 **HK$'000**	2016 HK$'000
Estimated fair value less costs to sell		
Fresh Fruits	**47,590**	–
Estimated quantity (kg)		
Fresh Fruits	**784,791**	–

Greater China Appraisal Limited, an independent professional valuer, was engaged to determine the fair value of biological assets as at the reporting date. The valuation methodology used to determine the fair value of biological assets is in compliance with both HKAS 41, Agriculture, and "The International Valuation Standards (2017 Edition)" published by the International Valuation Standards Council with aims to determine the fair value of a biological asset in its present location and condition.

There were no changes in valuation techniques during the period.

The fair value measurement of the biological assets for the Group is categorised as level 3 fair value measurement.

During the year, there was no transfer occurred between levels in the hierarchy. The movement in the fair value of the assets within level 3 of the hierarchy is as follows:

	2017 **HK$'000**	2016 HK$'000
Opening balance (level 3 recurring fair value)	**5,164**	–
Acquired through business combination *(Note 41)*	**–**	5,164
Increase due to feeding (plantation costs and others)	**229**	–
Transfer to bearer plant *(Note 16)*	**(6)**	–
Gain arising from changes in fair value less costs to sell	**49,639**	–
Transfer to inventories	**(49,639)**	–
Exchange differences	**379**	–
Closing balance (level 3 recurring fair value)	**5,766**	5,164

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. BIOLOGICAL ASSETS *(Continued)*

The following unobservable inputs were used to measure the Group's biological assets:

For the year ended 31 December 2016 and 2017

Description	Valuation technique	Unobservable inputs		Range For the year ended 31 December 2017	2016	Inter-relationship between key unobservable inputs and fair value measurement
Biological assets (i.e. Fresh Fruits, Growing Produce and Seedlings)	Market approach with cost approach applied for Growing Produce and Seedlings with no market comparison was available	Prices of similar transactions	Fresh Fruits	**HK$57.5 to HK$69 per kg**	N/A	The higher of unobservable inputs, the higher of the fair value less costs to sell determined
			Growing Produce	**HK$2.6 per unit**	N/A	
			Seedlings	**HK$14.8 per unit**	HK$11.9– HK$15.8 per unit	

The fair value measurement is based on the above biological assets' highest and best use, which does not differ from their actual use.

The higher of market price, the higher the fair value measurement of the biological assets.

The valuation of Fresh Fruits was determined by market approach by reference to prices of similar transactions.

The valuation of Growing Produce and Seedlings was determined by cost approach with reference to accumulated reproduction cost of Growing Produce and Seedlings with similar size and weight. Accumulated reproduction cost means the cost to reproduce an asset, which is the plantation costs of Growing Produce and Seedlings.

The major assumptions of the valuations of the Group's biological assets were made as follows,

(i) The biological assets were in good and saleable condition as at the valuation date;

(ii) The growth condition and specification (i.e. size and weight) of biological assets are uniform regardless of the nutritional treatment, soil conditions or sunlight coverage;

(iii) No adverse weather condition, plant disease or bacterial infection are materially present by which the growth condition of the biological assets may be impaired.

(iv) The historical prices of biological assets could represent a reasonable expectation of the future prices.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. BIOLOGICAL ASSETS *(Continued)*

The Group is exposed to a number of risks related to its plantations:

(i) Environmental factors and natural disasters

The productivity of the biological assets was highly subject to the effect of environment factors such as weather and infectious diseases. Typical risks, including the occurrence of forestry fire, frost, heavy snow, typhoons, pests and infectious diseases, would have a material impact on the productivity, and hence the fair value of the biological assets.

(ii) Fluctuation of prices

The pricing data of the biological assets obtained from the market or the historical selling price provided by the management of the Group was heavily dependent on market competition and consumers' purchasing preference on the biological assets. So the range of price of the biological assets for a particular species could be wide. The timing of supply and demand further heightened the uncertainty of the price estimates for which the product would be sold in a particular year. Competition from online suppliers' platform (e.g. Alibaba and Taobao) may indirectly weaken the Group's bargaining power in recovering the plantation costs plus margin from its customers. As such, the prices may be volatile and subject to various assumptions on inputs.

(iii) Legal rights concerning the use of the Woodlands

The legal administrative framework for sub-urban and rural woodlands in the PRC was not as developed as those for urban lands. Thus, there were risks associated with the ownership, leasing and land use rights concerning the validity and legality of the negotiated arrangements between the land owners (i.e. often the farmers) and the Group, hence heightening the uncertainty on the recoverability of the economic value of the biological assets if potential conflicts arise.

(iv) Single product

In the future plan of the Group, the farmlands are designed for full production of exocarpium citri grandis only. The equipment and the fertilizers are also bought for this cultivation only. The sole product of the Group would become the major weakness of the Group if there is fade of trend for the exocarpium citri grandis or deteriorating quality of exocarpium citri grandis would drive out the customers. The inability of diversifying its revenue stream would make the Group suffer if there is no contingent business plan.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. INVENTORIES AND CONSUMABLES

	2017 HK$'000	2016 HK$'000
Dried Fruits	21,454	10,598
Proprietary Chinese medicines and health products	–	20,049
Cranes and spare parts	23,959	21,997
Consumables	15	51
	45,428	52,695

21. TRADE RECEIVABLES

	2017 HK$'000	2016 HK$'000
Trade receivables, gross	20,169	55,059
Less: Provision for impairment	(253)	(281)
Trade receivables, net	19,916	54,778

The Group's trading terms with its existing customers are mainly on credit. The credit period is, in general, ranging from 0 to 180 days (2016: 0 to 60 days) or based on the terms agreed in the relevant sales and rental agreements.

The Directors consider that the fair values of trade receivables which are expected to be recovered within one year are not materially different from their carrying amounts because these balances have short maturity periods on their inception.

The ageing analysis of trade receivables as at the reporting date, net of impairment, based on invoice date, is as follows:

	2017 HK$'000	2016 HK$'000
0 – 30 days	6,120	19,954
31 – 60 days	5,890	10,532
61 – 90 days	4,972	5,295
Over 90 days	2,934	18,997
	19,916	54,778

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. TRADE RECEIVABLES *(Continued)*

The movement in the provision for impairment of trade receivables during the year is as follows:

	2017 HK$'000	2016 HK$'000
At 1 January	281	1,580
Impairment loss recognised	–	29
Recovery of impairment	(31)	–
Written-off	–	(1,299)
Net exchange differences	3	(29)
At 31 December	253	281

At each reporting date, the Group reviews receivables for evidence of impairment on both an individual and collective basis. During the year, the Group had not recognised impairment of trade receivables (2016: approximately HK$29,000) as individually impaired. The impaired trade receivables are due from customers experiencing financial difficulties that were in default or delinquency of payments.

The Group did not hold any collateral as security or other credit enhancements over the impaired trade receivables, whether determined on an individual or collective basis.

The ageing analysis of the Group's trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	2017 HK$'000	2016 HK$'000
Neither past due nor impaired	6,120	10,011
Not more than 3 months past due	11,480	26,834
Over 3 months past due	2,316	17,933
	19,916	54,778

Trade receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired related to a number of customers that have a good track record of repayment with the Group. Based on past experience, management believes that no impairment provision is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2017 HK$'000	2016 HK$'000
Non-current assets		
Prepayment	–	2,016
Deposit	199	–
	199	2,016
Current assets		
Prepayments	4,445	4,759
Deposits	1,206	3,233
Other receivables *(Note)*	5,102	12,592
	10,753	20,584
	10,952	22,600

Note:

At 31 December 2016, included in other receivables of approximately HK$29,000 (equivalent to approximately Renminbi ("RMB") 26,000), represented advances made by the Group to a managerial staff of a subsidiary in the PRC. The balance due was unsecured, interest free and repayable on demand. Such amount belonged to a subsidiary which was being disposed of during the year (Note 40).

At 31 December 2016, included in other receivables of approximately HK$5,615,000 (equivalent to approximately RMB5,013,000), represented advances made by the Group to a major customer of a subsidiary operated in the PRC. The balance due was unsecured, interest free and repayable on demand. Such amount belonged to a subsidiary which was being disposed of during the year (Note 40).

The Group did not hold any collateral as security or other credit enhancements over the other receivables.

23. SHORT-TERM INVESTMENT

In 2016, the Group purchased a short-term investment with principal amount of approximately HK$11,200,000 (equivalent to RMB10,000,000) from a major bank in the PRC and the balance was not subject to maturity. The Group is entitled to redeem the investment at its principal amount with the bank at any time unconditionally with immediate effect. The estimated return from the short-term investment ranged from 2.0% to 3.0% per annum. The accrued and unpaid interest will be received upon redemption of the investment from the bank. The Group accounted for the short-term investment in accordance with the accounting policies disclosed in note 5(h)(i). The Directors consider that the carrying value of the short-term investment approximates the fair value as at the reporting date. The Group had fully redeemed the short-term investment during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. CASH AND CASH EQUIVALENTS

	2017 HK$'000	2016 HK$'000
Cash at bank and in hand	**140,510**	198,456
Bank deposit maturing within three months	**12,046**	–
Cash and cash equivalents for the purpose of statement of cash flows	**152,556**	198,456

The Group had cash and cash equivalents denominated in RMB of approximately RMB68,275,000 (2016: approximately RMB19,793,000) of which the remittance out of the PRC was subject to the exchange control restrictions imposed by the PRC government.

Cash and cash equivalents represent bank deposits and cash at bank and in hand. Bank deposits earn interest at a fixed rate at 1.5% (2016: 0.4%) per annum. They had maturities ranged from one month to three months. Cash at bank earns interest at floating rates based on daily bank deposits rates. The Group's exposures to foreign currency risk were set out in note 45(c).

25. TRADE PAYABLES

	2017 HK$'000	2016 HK$'000
Trade payables	**30,334**	65,110

The credit period is, in general, 30 to 60 days or based on the terms agreed in purchase agreements. At 31 December 2017, there is no interest-bearing trade payables (2016: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25. TRADE PAYABLES *(Continued)*

The ageing analysis of trade payables as at the reporting date, based on invoice date, is as follows:

	2017 HK$'000	2016 HK$'000
0 – 30 days	**14,904**	34,759
31 – 60 days	**3,951**	6,767
61 – 90 days	**4,486**	2,284
Over 90 days	**6,993**	21,300
	30,334	65,110

The fair values of trade payables which are expected to be recovered within one year are not materially different from their carrying amounts because these balances have short maturity periods on their inception.

26. RECEIPT IN ADVANCE, ACCRUALS AND OTHER PAYABLES

	2017 HK$'000	2016 HK$'000
Current liabilities		
Receipt in advance from customers	**10,589**	15,271
Accruals *(Note (i))*	**82,573**	15,854
Other payables *(Notes (ii), (iii))*	**9,671**	119,582
	102,833	150,707

The carrying amounts of accruals and other payables approximate their fair values as these financial liabilities which are measured at amortised cost, are expected to be repaid within a short timescale, such that the time value of money is not significant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26. RECEIPT IN ADVANCE, ACCRUALS AND OTHER PAYABLES *(Continued)*

	2017 HK$'000	2016 HK$'000
Non-current liabilities		
Accrual *(Note (i))*	–	70,529
Other payable *(Note (iv))*	–	1,545
	–	72,074

Notes:

(i) At 31 December 2017, accrual (current portion) of approximately HK$70,529,000 (2016: accrual (non-current portion) of approximately HK$70,529,000), represented accrued bond interests to be payable at extended maturity date (i.e. 30 June 2018) (Note 29).

(ii) At 31 December 2016, included in other payables (current portion) of HK$110,000,000 represented the unpaid cash portion of consideration of business combination payable to the vendor, who had become a non-controlling interest of a subsidiary of the Group, in prior year (Note 41). Such amount had been fully settled on 22 February 2017 in accordance with the terms and conditions of the agreement relating to the business combination in prior year (Note 41).

(iii) As 31 December 2016, included in other payables of approximately HK$1,739,000 represented the outstanding balance payable to a spouse of a director of a subsidiary of the Group, which is unsecured, interest free and repayable on demand. The outstanding balance was fully repaid during the year.

(iv) At 31 December 2016, the other payable (non-current portion) did not contain a clause that gives the creditor an unconditional right to demand repayment at any time at its own discretion. Such amount belonged to a subsidiary which was being disposed of during the year (Note 40).

27. BANK BORROWINGS

	2017 HK$'000	2016 HK$'000
Bank borrowings repayable:		
Within one year	2,108	23,942
More than one year, but not exceeding two years	2,148	1,645
More than two years, but not exceeding five years	6,693	5,626
More than five years	7,324	9,647
	18,273	40,860
Portion classified as current liabilities	(2,108)	(23,942)
Non-current portion	16,165	16,918

A bank borrowing denominated in RMB bore interest at fixed interest rate with effective interest rate at 4.5% per annum at 31 December 2016. Such amount belonged to a subsidiary which was being disposed of during the year (Note 40). The other bank borrowing denominated in Singapore Dollar ("S$") bore interest at variable interest rates at 31 December 2016 and 2017. The effective interest rates of the Group's bank borrowing were set out in note 45(a).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27. BANK BORROWINGS *(Continued)*

At 31 December 2017, bank borrowing of the Group was secured by building carried at cost (Note 16) (2016: buildings carried at cost (Note 16)) and payments for leasehold land held for own use under operating leases (Note 17) of the Group and corporate guarantees executed by the Company and certain subsidiaries. No provision for the obligation of the Company and certain subsidiaries under corporate guarantees have been made as the Directors considered that it is not probable the repayment of bank borrowings would be in default.

The carrying values of the Group's borrowings approximate their fair values.

At 31 December 2016 and 2017, the relevant loan agreements of outstanding bank borrowings did not contain a clause that provided the lender with an unconditional right to demand repayment at any time at its own discretion.

28. OTHER LOANS PAYABLES

The details of other loans payables at the end of reporting date are as follows:

	2017 **HK$'000**	2016 HK$'000
Loans repayable:		
Within one year	–	2,848
More than one year, but not exceeding two years	–	1,743
More than two years, but not exceeding five years	–	560
	–	5,151
Portion classified as current liabilities	–	(2,848)
Non-current portion	–	2,303

At 31 December 2016, the other loan payable of approximately HK$2,848,000 was due to a non-controlling interest of a subsidiary while the remaining balances of approximately HK$1,743,000 was due to a spouse of a director of a subsidiary and approximately HK$560,000 was due to an independent third party to the Group, which were unsecured and interest free.

At 31 December 2016, the relevant loan agreements of outstanding borrowings did not contain a clause that provided the lender with an unconditional right to demand repayment at any time at its own discretion.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. BONDS PAYABLE

At 31 December 2016 and 2017, the bonds with total principal amount of HK$100,000,000 carried interest at a rate of 18% per annum, which were repayable on 30 June 2018.

The original repayable date of the bonds was on 11 June 2014. During the year ended 31 December 2016, the Group obtained consents from all bond holders to further extend the maturity date of the bonds from 30 November 2016 to 30 June 2018.

Pursuant to the extension letters dated 30 November 2016, the interest rate was revised from 12% per annum to 18% per annum and all outstanding amounts including the principal amount and the accrued interests up to 30 November 2016 will be payable on 30 June 2018. As part of the terms for extension, the Group made payment to the bondholders that represented bond interests, covering the period from 1 December 2016 to 30 June 2018, with an amount of approximately HK$48,601,000. Besides, the Group had paid approximately of HK$12,276,000 for the renewal and arrangement fee of the bonds payable. The amount of prepaid bond interests and, renewal and arrangement fee incurred had been adjusted against the carrying amount of the bonds payables and amortised over the remaining term of bonds payable.

The bonds are secured by the equity interest of certain subsidiaries of the Group.

The Directors consider the revision of terms to the bonds payable did not constitute a substantial modification of financial liabilities, and therefore the Group accounted for it in accordance to the accounting policies disclosed in note 5(h)(iii).

30. PROMISSORY NOTE PAYABLE

The promissory note with principal amount of HK$110,000,000 carries zero interest and with maturity of two years after the issue date of promissory note. The promissory note was issued on 23 December 2016 by the Company in connection with the business combination in prior year (Note 41). The amortised cost of the promissory note was determined with the effective interest rate of 10.75%. The Company may redeem all or part of the outstanding principal amount of the promissory note at any time between the issue date and the day prior to the maturity by serving not less than 10 business days prior written notice to the noteholder.

On 11 October 2017, the Company entered into the subscription agreement with Mr. He Xiao Yang (“Mr. He“), the holder of the promissory note payable, a non-controlling interest holding a 49% equity interest in Best Earnest Investments Limited (“Best Earnest”) and a director of subsidiaries of Best Earnest. Mr. He has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, 100,000,000 subscription shares at the subscription price of HK$1.10 per subscription share. The total consideration for the subscription of HK$110,000,000 payable by the subscriber at completion shall be set off against the total outstanding principal amount of the promissory note of HK$110,000,000 owed by the Company to the subscriber on a dollar-for-dollar basis. The transaction was completed on 23 November 2017. The early settlement of promissory note has resulted in a gain of approximately HK$5,496,000, being the difference between the carrying amount of the promissory note of approximately HK$98,496,000 and the fair value of the shares issued of approximately HK$93,000,000 in aggregate based on market price of HK$0.93 per share of the Company’s share on 23 November 2017, recognised in the profit or loss for the year ended 31 December 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. FINANCE LEASE PAYABLES

	2017 HK$'000	2016 HK$'000
Total minimum lease payments:		
Due within one year	**36,908**	41,350
Due in the second to fifth years	**50,628**	60,373
Due after fifth years	**46**	–
	87,582	101,723
Future finance charges on finance leases	**(5,557)**	(6,173)
Present value of finance lease liabilities	**82,025**	95,550
Present value of minimum lease payments:		
Due within one year	**34,143**	38,214
Due in the second to fifth years	**47,838**	57,336
Due after fifth years	**44**	–
	82,025	95,550
Less: Portion classified as current liabilities	**(34,143)**	(38,214)
Non-current portion	**47,882**	57,336

The Group has entered into finance leases for items of plant and machinery. The average lease term is 3 to 7 years (2016: 3 to 5 years). At the end of the lease term, the Group has the option to purchase the leased equipment at a price that is expected to be sufficiently lower than the fair value of the leased asset at the end of the lease for it to be reasonably certain, at the inception of the lease, that the option will be exercised.

Certain finance lease payables bore interest at fixed interest rates with effective interest rates at 31 December 2017 ranged from 1.5% to 8.6% (2016: from 1.5% to 7.0%) per annum. The other finance lease payables bore interest at variable interest rates. The effective interest rates on the Group's finance lease payables as at reporting date were set out in note 45(a).

At 31 December 2016 and 2017, certain finance lease payables of the Group were secured by land and building carried at fair value (Note 16) and corporate guarantees executed by the Company and certain subsidiaries. No provision for the obligation of the Company and certain subsidiaries under corporate guarantees have been made as the Directors considered that it is not probable the repayment of finance lease payables would be in default.

Finance lease payables are effectively secured by the underlying assets as the rights to the leased assets would be reverted to the lessor in the event of default of repayment by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32. DEFERRED GOVERNMENT GRANTS

	2017 HK$'000	2016 HK$'000
At beginning of the year	10,434	–
Acquired through business combination *(Note 41)*	–	10,434
Amortisation *(Note 9)*	(1,285)	–
Exchange differences	689	–
At end of the year	9,838	10,434
Less: Portion classified as current liabilities	(1,157)	(1,080)
Non-current portion	8,681	9,354

The Group's deferred government grants mainly related to acquisition of property, plant and equipment.

The Group does not have any unfulfilled conditions and other contingencies attaching to government assistance in regard to the government grants at the year-end date.

33. DEFERRED TAX

The movement on deferred tax liabilities is as follows:

	Deferred tax liabilities attributable to accelerated tax depreciation HK$'000	Revaluation of properties arising from acquisition of a subsidiary HK$'000	Total HK$'000
At 1 January 2016	(7,286)	(10,751)	(18,037)
Recognised in the profit or loss *(Note 12)*	2,565	961	3,526
Exchange differences	131	680	811
At 31 December 2016 and 1 January 2017	(4,590)	(9,110)	(13,700)
Recognised in the profit or loss *(Note 12)*	1,924	323	2,247
Disposal of subsidiaries *(Note 40)*	–	8,691	8,691
Exchange differences	(947)	96	(851)
At 31 December 2017	(3,613)	–	(3,613)

Deferred tax asset in respect of tax losses has not been recognised in the financial statements due to the unpredictability of future profit streams against which the tax losses can be utilised. The tax losses of the subsidiaries operating in Hong Kong amounted to approximately HK$79,622,000 (2016: approximately HK$70,849,000) can be carried forward indefinitely under the current tax legislation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33. DEFERRED TAX *(Continued)*

Pursuant to the new PRC tax law and its rules and regulations, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors.

At 31 December 2016 and 2017, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings of the Group's subsidiaries established in the PRC. It is because in the opinion of the Directors, it is not probable that these subsidiaries will distribute their earnings accrued from 1 January 2008 to 31 December 2017 in the foreseeable future. Accordingly, no deferred tax liabilities have been recognised as at 31 December 2016 and 2017.

34. SHARE CAPITAL

	2017		2016	
	No. of shares '000	**Amount HK$'000**	No. of shares '000	Amount HK$'000
Authorised:				
Ordinary shares of HK$0.01 each				
At 1 January	**360,000,000**	**3,600,000**	200,000,000	2,000,000
Increase in authorised share capital *(Note (i))*	**–**	**–**	160,000,000	1,600,000
At 31 December	**360,000,000**	**3,600,000**	360,000,000	3,600,000
Issued and fully paid:				
At 1 January	**960,000**	**9,600**	800,000	8,000
Shares issued by way of placing *(Note (ii))*	**–**	**–**	160,000	1,600
Shares issued in settlement of promissory note payable *(Note (iii))*	**100,000**	**1,000**	–	–
At 31 December	**1,060,000**	**10,600**	960,000	9,600

Notes:

(i) On 15 July 2016, the authorised share capital of the Company was increase from HK$2,000,000,000 to HK$3,600,000,000 divided into 360,000,000,000 shares of HK$0.01 each by creation of an additional 160,000,000,000 shares.

(ii) On 23 June 2016, the Company and Fulbright Securities Limited, a placing agent, entered into a placing agreement in respect of the placement of 160,000,000 ordinary shares of HK$0.01 each to independent investors at a price of HK$1.220 per share. The placement was completed on 15 July 2016 and the premium on the issue of shares, amounting to approximately HK$191,453,000, net of shares issuance expenses of approximately HK$2,147,000, was credited to the Company's share premium account.

(iii) On 11 October 2017, the Company entered into the subscription agreement with Mr. He, set out in note 30, pursuant to which Mr. He subscribed for and the Company allotted and issued new shares. On 23 November 2017, 100,000,000 new shares, with an aggregate fair value of HK$93,000,000 based on market price of 0.93 per share, were allotted and issued. The premium on the issue of shares, amounting to approximately HK$91,403,000, net of share issuance expenses of approximately HK$597,000, was credited to the Company's share premium account.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35. RESERVES

Share premium

The share premium is the excess of the proceeds received over the nominal value of the shares of the Company issued at a premium, less expenses incurred in connection with the issue of the shares.

Statutory reserves

In accordance with the Company Law of the PRC, domestic enterprises in Mainland China are required to transfer 10% of their profit after taxation, as determined under accounting principles generally accepted in the PRC, to the statutory surplus reserve until such reserve balance reaches 50% of the registered capital of relevant subsidiaries. During the year, appropriations were made by such subsidiaries to the statutory reserves accordingly.

The statutory reserves can be used to reduce previous years' losses, if any, and may be converted into paid-up capital, provided that the statutory reserve after such conversion is not less than 25% of the registered capital of relevant subsidiaries.

In accordance with relevant regulations issued by the Ministry of Finance of the PRC, a subsidiary of the Group is required to set aside a reserve through appropriations of profit after tax according to a certain ratio of the ending balance of its gross risk-bearing assets to cover potential losses against such assets.

Merger reserve

The merger reserve of the Group arose as a result of the group reorganisation which was completed on 25 June 2010, represented the difference between (a) the sum of nominal value of the combined capital and share premium of the Group and (b) the nominal value of the share capital of the Company.

Contributed surplus

Contributed surplus of the Company represented the difference between the net assets value transferred from certain subsidiaries to the Company pursuant to the group reorganisation and the nominal value of share capital and share premium of the Company in prior year.

Group

Details of the movements on the Group's reserve are as set out in the consolidated statement of changes in equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35. RESERVES *(Continued)*

Company

	Share premium HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
Balance at 1 January 2016	63,968	41,572	(35,803)	69,737
Loss and total comprehensive income for the year	–	–	(20,533)	(20,533)
Shares issued by way of placing	193,600	–	–	193,600
Shares issuance expenses	(2,147)	–	–	(2,147)
Balance at 31 December 2016 and 1 January 2017	**255,421**	**41,572**	**(56,336)**	**240,657**
Loss and total comprehensive income for the year	**–**	**–**	**(16,379)**	**(16,379)**
Shares issued in settlement of promissory note payable	**92,000**	**–**	**–**	**92,000**
Shares issuance expenses	**(597)**	**–**	**–**	**(597)**
Balance at 31 December 2017	**346,824**	**41,572**	**(72,715)**	**315,681**

36. SHARE OPTION SCHEME

At the extraordinary general meeting held on 30 July 2015, the Company has adopted a new share option scheme (the "Share Option Scheme") to replace the old share option scheme adopted on 25 June 2010 (the "Old Scheme") for the purpose of providing incentive and/or reward to eligible participants for their contributions to, and continuing efforts to promote the interest of, the Group. The eligible participants include (a) full time or part time employees of the Group (including any directors, whether executive or non-executive and whether independent or not, of the Group); (b) any business or joint venture partners, contractors, agents or representatives, consultants, advisers, suppliers, producers or licensors, customers, licensees (including any sub-licensee) or distributors, landlords or tenants (including any sub-tenants) of the Group; and (c) any person who, in the sole discretion of the board of directors, has contributed or may contribute to the Group. Further details of the Share Option Scheme are set out in the circular dated 13 July 2015. As at 31 December 2017, no option has been granted by the Company under the Share Option Scheme since its adoption.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2017 HK$'000	2016 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		107	158
Investments in subsidiaries		1	–*
		108	158
Current assets			
Amounts due from subsidiaries		273,363	309,330
Deposits and prepayments		1,077	1,102
Cash and cash equivalents		52,526	141,209
		326,966	451,641
Current liabilities			
Accruals		792	112,065
Amount due to a subsidiary		1	–
		793	112,065
Net current assets		326,173	339,576
Total assets less current liabilities		326,281	339,734
Non-current liability			
Promissory note payable	30	–	89,477
Net assets		326,281	250,257
EQUITY			
Share capital	34	10,600	9,600
Reserves	35	315,681	240,657
Total equity		326,281	250,257

* Represents the amount less than HK$1,000

Zeng Li
Executive Director

Winerthan Chiu
Executive Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38. INVESTMENTS IN SUBSIDIARIES

At 31 December 2016 and 2017, the particulars of the subsidiaries in which the Company has direct or indirect interests are set out as follows:

Name	*Notes*	Form of business structure	Place of incorporation/ operation	Issued and fully paid share capital/ registered capital	Effective interest held by the Company 2017	Effective interest held by the Company 2016	Principal activities
Interests held directly							
Alpha Chance Limited	*(i)*	Limited liability company	BVI/Hong Kong	1 ordinary share of United States Dollar ("US$")1 each	–	100%	Investment holding
Beyond Vision Ventures Limited	*(ii)*	Limited liability company	BVI/Hong Kong	100 ordinary shares of US$1 each	100%	–	Investment holding
Chief Key Limited		Limited liability company	BVI/Hong Kong	1 ordinary share of US$1 each	100%	100%	Investment holding
Eagle Legend Investment (Hong Kong) Limited		Limited liability company	Hong Kong	HK$1	100%	100%	Investment holding
Lucky Boom Investments Limited		Limited liability company	BVI/Hong Kong	1 ordinary share of US$1 each	100%	100%	Investment holding
Interests held indirectly							
Chief Strategy Limited		Limited liability company	BVI/ Hong Kong	300 ordinary shares of US$1 each	100%	100%	Investment holding
Gold Lake Holdings Limited		Limited liability company	BVI/Hong Kong	100 ordinary shares of US$1 each	100%	100%	Investment holding
Manta Engineering and Equipment Company, Limited		Limited liability company	Hong Kong	HK$24,014,366	100%	100%	Trading in construction machinery and spare parts
Manta Equipment Rental Company Limited		Limited liability company	Hong Kong	HK$36,094,913	100%	100%	Leasing of construction machinery and provision of repair and maintenance services
Manta Equipment Services Limited		Limited liability company	Hong Kong	HK$10,875,287	100%	100%	Trading and leasing of construction machinery and provision of repair and maintenance services

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name	Notes	Form of business structure	Place of incorporation/ operation	Issued and fully paid share capital/ registered capital	Effective interest held by the Company 2017	Effective interest held by the Company 2016	Principal activities
Manta Engineering and Equipment (Macau) Company Limited		Limited liability company	Macau	1 quota with nominal value of MOP25,000	100%	100%	Leasing of construction equipment
Manta Equipment (S) Pte Ltd		Limited liability company	Singapore	10,000,000 ordinary shares of S$ 1 each	100%	100%	Trading and leasing of construction machinery and provision of repair and maintenance services
Manta Services (S) Pte Limited		Limited liability company	Singapore	10,000 ordinary shares of S$1 each	100%	100%	Inactive
Manta-Vietnam Construction Equipment Leasing Limited		Limited liability company	Vietnam	Owner invest equity Vietnamese Dong ("VND") 10,649,879,390	67%	67%	Inactive
Manta Services Management Limited		Limited liability company	Hong Kong	HK$5,000	100%	100%	Inactive
Focus Spring Limited		Limited liability company	BVI/Hong Kong	1 ordinary share of US$1	100%	100%	Inactive
Forever Treasure Asia Limited	*(i)*	Limited liability company	Hong Kong	HK$1	–	100%	Investment holding
江西半邊天藥業有限公司, Jiangxi Newomen Pharmaceutical Co., Ltd.*	*(i)*	Wholly foreign-owned enterprise	PRC	RMB30,000,000	–	100%	Manufacturing and sales of proprietary Chinese medicines and health products
Best Earnest Investments Limited	*(iii)*	Limited liability company	BVI/Hong Kong	200 ordinary shares of US$1 each	51%	51%	Investment holding
Vast Bloom Investment Limited	*(iii)*	Limited liability company	Hong Kong	HK$1	51%	51%	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name	Notes	Form of business structure	Place of incorporation/ operation	Issued and fully paid share capital/ registered capital	Effective interest held by the Company		Principal activities
					2017	2016	
廣東大合生物科技股份有限公司, Guangdong Dahe Biological Technologies Limited*	*(iii), (iv)*	Limited liability foreign-owned enterprise	PRC	RMB50,000,000	40.8%	40.8%	Cultivation, research, processing and sales of exocarpium citri grandis and its seedlings
深圳前海化橘紅生物科技有限公司, Shenzhen Qianhai Exocarpium Citri Grandis Biological Technologies Limited*	*(iii)*	Wholly foreign-owned enterprise	PRC	HK$20,000,000	51%	51%	Inactive

* The English translation of the company name is for reference only. The official name of this company is in Chinese.

Notes:

(i) The disposal was completed on 15 August 2017 and the Group ceased to have any equity interests on the same date. Details of disposed of subsidiaries were set out in note 40.

(ii) Incorporated during the year ended 31 December 2017.

(iii) Acquired through business combination during the year ended 31 December 2016. Details of the business combination in prior year were set out in note 41.

(iv) 80% equity interest of Guangdong Dahe held directly by Vast Bloom and hence the effective equity interest of Guangdong Dahe by the Group amounted to 40.8%, Guangdong Dahe was accounted for as a subsidiary of the Group as the Directors are of the opinion that the Group has power over the investee through control of the board of the subsidiary, exposure to variable returns from investee and the ability to use its power to affect those variable returns.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39. NON-CONTROLLING INTERESTS

Best Earnest, a 51% indirectly-owned subsidiary of the Company has material non-controlling interest. The non-controlling interests of other subsidiaries that are not 100% owned by the Group are considered to be immaterial.

Summarised financial information in relation to the non-controlling interest of Best Earnest, before intra-group eliminations, is presented below:

For the year ended 31 December

	2017 HK$'000	2016 HK$'000
Revenue	**89,331**	–
Profit for the year	**67,210**	–
Total comprehensive income	**75,187**	–
Profit for the year allocated to non-controlling interest	**26,345**	–
Dividends paid to non-controlling interest	**–**	–
Cash flows from operating activities	**76,578**	–
Cash flows used in investing activities	**(10,183)**	(4,570)
Cash flows used in financing activities	**(5,289)**	–
Net cash inflows/(outflows)	**61,106**	(4,570)

At 31 December

	2017 HK$'000	2016 HK$'000
Non-current assets	**240,207**	218,893
Current assets	**112,760**	50,131
Current liabilities	**(12,725)**	(13,365)
Non-current liabilities	**(8,681)**	(11,657)
Net assets	**331,561**	244,002
Accumulated non-controlling interest	**151,290**	119,561

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40. DISPOSAL OF SUBSIDIARIES

As referred to in note 11(b), on 15 August 2017, the Group disposed of its subsidiaries, Alpha Chance Group which was principally engaged in manufacturing and sales of proprietary Chinese medicines and health products. The net liabilities of Alpha Chance Group at the date of disposal were as follows:

	15 August 2017	
	HK$'000	HK$'000
Property, plant and equipment	35,169	
Payments for leasehold land held for own use under operating leases	20,271	
Inventories	16,999	
Trade and bill receivables	38,124	
Prepayments, deposits and other receivables	5,112	
Tax recoverable	361	
Cash and cash equivalent	854	
Trade payables	(43,618)	
Receipt in advance, accruals and other payables	(4,838)	
Other payable — non-current	(23,600)	
Bank borrowing	(1,627)	
Deferred tax liabilities	(8,691)	
Shareholder's loan	(38,571)	
Net liabilities disposed of		(4,055)
Release of exchange reserve upon disposal of subsidiaries		3,530
Sale of shareholder's loan		38,571
Gain on disposal of subsidiaries, included in profit for the year from discontinued operation *(Note 11(b))*		1,231
Transaction costs		723
Total consideration		40,000
Satisfied by:		
Cash		40,000
Less: Transaction costs		(723)
Net cash consideration		39,277
Net cash inflow arising on disposal:		
Cash consideration		39,277
Cash and bank balances disposed of		(854)
		38,423

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41. BUSINESS COMBINATION IN PRIOR YEAR

On 23 December 2016, Lucky Boom Investments Limited acquired 51% equity interest of Best Earnest from an independent third party at consideration of HK$220,000,000, of which HK$110,000,000 was satisfied by cash and HK$110,000,000 was satisfied by promissory note. The principal activities of Best Earnest and its subsidiaries are investment holding and to engage in the business of cultivation, research, processing and sales of exocarpium citri grandis and its seedlings. The Directors consider the acquisition is a good opportunity to expand the business into manufacturing and selling of medical and health products in the PRC. The Group measured the non-controlling interests in Best Earnest at the non-controlling interests' proportionate share of identifiable net assets.

Since the major subsidiary of Best Earnest is engaged in qualifying agricultural business in the PRC, and it is entitled to full exemption of enterprise income tax. Therefore, there is no deferred tax impact on the fair value adjustments in business combination in accordance with HKFRS 3 (Revised).

The fair values of identifiable assets and liabilities acquired at the date of acquisition were determined by management with the assistance of Greater China Appraisal Limited, an independent professional valuer, and were as follows:

	Fair value HK$'000
Property, plant and equipment	216,877
Biological assets	5,164
Inventories and consumables	10,649
Prepayments and other receivables	4,185
Cash and cash equivalents	32,149
Trade payables	(1,607)
Receipt in advance, accruals and other payables	(7,830)
Other loans payables	(5,151)
Deferred government grants	(10,434)
Total identifiable net assets	244,002
Non-controlling interests	(119,561)
	124,441
The fair value of consideration transfer:	
Cash *(Note 26)*	110,000
Promissory note *(Note 30)*	89,477
Goodwill	75,036
Net cash inflow arising on acquisition:	
Cash and cash equivalents acquired	32,149

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41. BUSINESS COMBINATION IN PRIOR YEAR *(Continued)*

The goodwill of approximately HK$75,036,000, which is not deductible for tax purposes, is mainly attributable to the significant future prospect of the acquired business and the synergies arising from the combination of the acquired business with the existing operations of the Group.

Since the acquisition date, Best Earnest has not contributed to Group's revenue and profit or loss. If the acquisition had occurred on 1 January 2016, the unaudited amount of the Group's revenue and loss would have been approximately HK$281,585,000 and HK$11,154,000, respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2016, nor is it intended to be a projection of future performance.

The acquisition-related costs were immaterial and they had been expensed and were included in administrative expenses.

The unpaid cash portion of the consideration of HK$110,000,000 was included in the current portion of other payables as at 31 December 2016, and the amount of HK$110,000,000 had been fully settled on 22 February 2017. The promissory note portion of the consideration with principal amount of HK$110,000,000 had been fully settled on 23 November 2017 set out in note 30.

Prior to the completion of the acquisition, there were two lawsuits in relation to the Woodlands of Guangdong Dahe. The respective lawsuits had been finally and conclusively settled on acquisition date. As mentioned in the circular of the Company dated 21 December 2016, there was one outstanding action in relation to the two lawsuits regarding the clean-up and return of properties on certain areas of the Woodlands which had been occupied by other parties ("Clean-up and Return Work"). In the opinion of the Directors, as pursuant to the advice from the PRC legal adviser, the Clean-up and Return Work would have no effect on the final and conclusive conclusion of the two lawsuits. Despite the outstanding action of the Clean-up Work and Return Work, there was no effect to the completion of the acquisition. The management had acknowledged that the Clean-up and the Return Work had been completed as scheduled in January 2017. For details, please refer to the circular of the Company dated 21 December 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

42. NOTES SUPPORTING CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Significant non-cash transactions are as follows:

Investing activity

Additions to property, plant and equipment of approximately HK$22,319,000 (2016: approximately HK$21,833,000) were financed by finance leases during the year.

(b) Reconciliation of liabilities arising from financing activities:

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Bank borrowings *(Note 27)* HK$'000	Other loans payables *(Note 28)* HK$'000	Bonds payable *(Note 29)* HK$'000	Promissory note payable *(Note 30)* HK$'000	Finance lease payables *(Note 31)* HK$'000	Total HK$'000
At 1 January 2017	**40,860**	**5,151**	**41,681**	**89,477**	**95,550**	**272,719**
Changes from cash flows:						
Proceeds from new bank borrowings	23,000	–	–	–	–	23,000
Repayment of bank borrowings	(24,831)	–	–	–	–	(24,831)
Proceeds from new finance leases	–	–	–	–	3,822	3,822
Repayment of obligations under finance leases	–	–	–	–	(45,256)	(45,256)
Repayment of other loans payables	–	(5,289)	–	–	–	(5,289)
Total changes from financing cash flows:	(1,831)	(5,289)	–	–	(41,434)	(48,554)
Exchange adjustments:	2,844	138	–	–	5,590	8,572
Other changes:						
Gain on early settlement on promissory note payable	–	–	–	(5,496)	–	(5,496)
Interest expenses (non-cash)	–	–	36,122	9,019	–	45,141
Shares issued for settlement of promissory note payable	–	–	–	(93,000)	–	(93,000)
Addition to property, plant and equipment	–	–	–	–	22,319	22,319
Disposal of subsidiaries	(23,600)	–	–	–	–	(23,600)
Total other changes	(23,600)	–	36,122	(89,477)	22,319	(54,636)
At 31 December 2017	**18,273**	**–**	**77,803**	**–**	**82,025**	**178,101**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

43. COMMITMENTS

(a) Operating lease commitment — as lessor

The Group had future aggregate minimum lease receipts in respect of machinery owned by the Group under non-cancellable operating leases as follows:

	2017 HK$'000	2016 HK$'000
Within one year	25,830	90,801
In the second to fifth years, inclusive	6,831	4,304
	32,661	95,105

The Group had future aggregate minimum lease receipts in respect of machinery sublet by the Group under non-cancellable operating leases as follows:

	2017 HK$'000	2016 HK$'000
Within one year	23	388
In the second to fifth years, inclusive	–	1,326
	23	1,714

The Group leases its machinery under operating leases arrangements which run for an initial period of one to two years. All leases are on a fixed rental basis and do not include contingent rentals. The terms of leases generally require the lessee to pay security deposits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

43. COMMITMENTS *(Continued)*

(b) Operating lease commitment — as lessee

The total future minimum lease payments of the Group in respect of machinery, the Woodlands in which plantations are suited, the land located in Singapore and premises located in Hong Kong under non-cancellable operating leases are as follows:

	2017 HK$'000	2016 HK$'000
Within one year	**3,986**	3,927
In the second to fifth years, inclusive	**1,114**	4,788
After five years	**552**	586
	5,652	9,301

The leases payment in respect of machinery run for an initial period of one to two years and the leases for the Woodlands run for a period up to the expiry date in 2034. The lease payment in respect of the land located in Singapore run for an initial period of fifty years and the lease for the premise in Hong Kong run for an initial period of three years. All rentals are fixed over the lease terms and do not include contingent rentals.

(c) Capital commitment

	2017 HK$'000	2016 HK$'000
Group		
Acquisition of property, plant and equipment		
— contracted but not provided for	**823**	7,770

The Company does not have any significant capital commitments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

44. KEY MANAGEMENT PERSONNEL COMPENSATION

The remuneration of the Directors and other members of key management during the year was as follows:

	2017 HK$'000	2016 HK$'000
Short-term employee benefits	5,986	5,853
Post-employment benefits	90	81
	6,076	5,934

45. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT

The Group is exposed to a variety of financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The financial risks include market risk (including foreign currency risk, interest rate risk and fair value risk), credit risk and liquidity risk.

Financial risk management is coordinated at the Group's headquarters, in close co-operation with the Directors. The overall objectives in managing financial risks focus on securing the Group's short to medium term cash flows by minimising its exposure to financial markets.

It is not the Group's policy to actively engage in the trading of financial instruments for speculative purposes. It identifies ways to access financial markets and monitors the Group's financial risk exposures. Regular reports are provided to the Directors.

(a) Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group has bank deposits, cash at bank balances, short-term investment, trade payables, bank borrowings, bonds payable and finance lease payables which bore interests at fixed and floating interest rates. Exposure to interest rate risk exists on those balances subject to floating interest rate when there are unexpected adverse interest rate movements. The Group's policy is to manage its interest rate risk, working within an agreed framework, to ensure that there are no unduly exposures to significant interest rate movements and rates are approximately fixed when necessary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

45. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT *(Continued)*

(a) Interest rate risk *(Continued)*

(i) Exposure

The following table details the interest rate profile of the Group's financial instruments at the reporting date:

	Weighted average effective interest rate per annum		Carrying amount	
	2017	2016	**2017**	2016
	%	%	**HK$'000**	HK$'000
Variable rate instruments				
Financial assets				
Short-term investment	**N/A**	2.0–3.0	**–**	11,200
Cash and cash equivalents	**0–0.5**	0–0.5	**140,510**	198,456
			140,510	209,656
Financial liabilities				
Bank borrowing	**1.9–6.5**	5.9	**18,273**	18,460
Finance lease payables	**3.4–4.7**	3.1–5.8	**14,409**	32,763
			32,682	51,223
Net exposure			**107,828**	158,433

The policies to manage interest rate risk have been followed by the Group consistently throughout the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

45. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT *(Continued)*

(a) Interest rate risk *(Continued)*

(ii) Sensitivity analysis

The following table illustrates the sensitivity of loss after income tax for the year and accumulated losses to a reasonably possible change in interest rates of +1% (2016: +1%), with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions and all other variables are held constant.

	2017 **HK$'000**	2016 HK$'000
Effect on loss after income tax for the year and accumulated losses	**841**	386

A -1% (2016: -1%) change in interest rates would have had the equal but opposite effect on the amounts shown above, on the basis that all other variables remain constant.

(b) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its business. As at 31 December 2017, the five largest trade debtors, in aggregate, contributed approximately HK$10,199,000 or 51.2% (2016: HK$37,082,000 or 67.7%) to the Group's total trade receivables. The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties and customers.

The Group's management considers that all the above financial assets that are not impaired under review are of good credit quality, including those that are past due.

None of the Group's financial assets are secured by collateral or other credit enhancement.

The credit risk for bank deposits and balances is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

45. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT *(Continued)*

(c) Foreign currency risk

Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group operates internationally and it has operations in Hong Kong, Singapore, Vietnam, Macau and the PRC. Income and expenses of the Group are primarily denominated in HK$, S$, US$, VND and RMB. Thus, it is exposed to foreign currency risk from currency exposures.

The Group's sales are mainly denominated in HK$, S$, US$ and RMB while purchases are mainly denominated in HK$, S$, US$ and RMB. US$ is not the functional currency of the group entities to which these transactions relate.

The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

The policies to manage foreign currency risk have been followed by the Group consistently throughout the year and are considered to be effective.

Since HK$ are pegged to US$, there is no significant exposure expected on US$ transactions and balances arising in Hong Kong.

(i) Exposure

Foreign currency denominated financial assets and liabilities, translated into a currency other than the functional currency of the Company and its subsidiaries at the closing rates, are as follows:

	RMB HK$'000	US$ HK$'000	S$ HK$'000
2017			
Cash and cash equivalents	**15**	**4,574**	**–**
Trade payables	**–**	**6,550**	**267**
Other payables	**–**	**170**	**–**
Finance lease payables	**–**	**–**	**1,530**
2016			
Cash and cash equivalents	52	17,257	–
Trade payables	–	300	–

(ii) Sensitivity analysis

The Directors considered a reasonably possible change of 1% in US$ exchange rates on sensitively analysis would have insignificant impact on the Group's loss before tax and there would be no impact on the Group's equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

45. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT *(Continued)*

(d) Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities. The Group is exposed to liquidity risk in respect of settlement of trade and other payables and its financing obligations, and also in respect of its cash flow management. The Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major banks and financial institutions to meet its liquidity requirements in the short and longer terms.

The liquidity policies have been followed by the Group since prior years and are considered to have been effective in managing liquidity risks.

The maturity profile of the Group's financial liabilities as at the reporting date, based on the contractual undiscounted payments, was as follows:

	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	On demand HK$'000	Less than one year HK$'000	More than one year HK$'000
2017					
Financial liabilities					
— Trade payables	**30,334**	**30,334**	**–**	**30,334**	**–**
— Accruals and other payables	**92,244**	**92,244**	**21,715**	**70,529**	**–**
— Bank borrowing	**18,273**	**19,714**	**–**	**2,434**	**17,280**
— Bonds payable	**77,803**	**100,000**	**–**	**100,000**	**–**
— Finance lease payables	**82,025**	**87,582**	**–**	**36,908**	**50,674**
	300,679	**329,874**	**21,715**	**240,205**	**67,954**
2016					
Financial liabilities					
— Trade payables	65,110	65,110	–	65,110	–
— Accruals and other payables	207,510	207,510	135,436	–	72,074
— Bank borrowings	40,860	47,164	–	25,371	21,793
— Other loans payables	5,151	5,151	–	2,848	2,303
— Bonds payable	41,681	100,000	–	–	100,000
— Promissory note payable	89,477	110,000	–	–	110,000
— Finance lease payables	95,550	101,723	–	41,350	60,373
	545,339	636,658	135,436	134,679	366,543

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

45. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT *(Continued)*

(e) Fair value

(i) Financial instruments not measured at fair value

Financial instruments not measured at fair value include cash and cash equivalents, trade and other receivables, trade and other payables, accruals, bank borrowings, bonds payable, other loans payables, finance lease payables and promissory note payable.

The fair values of the Group's financial assets and liabilities were not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments. The fair values of non-current liabilities were not disclosed because the carrying values were not materially different from the fair value.

(f) Summary of financial assets and liabilities by category

The categories of financial assets and financial liabilities at the reporting dates are included are as follows:

	2017 HK$'000	2016 HK$'000
Financial assets		
Loans and receivables		
— Trade receivables	19,916	54,778
— Other receivables and deposits	6,507	15,825
— Short-term investment	–	11,200
— Cash and cash equivalents	152,556	198,456
	178,979	280,259
Financial liabilities		
At amortised cost		
— Trade payables	30,334	65,110
— Accruals and other payables	92,244	207,510
— Bank borrowings	18,273	40,860
— Other loans payables	–	5,151
— Bonds payable	77,803	41,681
— Promissory note payable	–	89,477
— Finance lease payables	82,025	95,550
	300,679	545,339

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

46. OUTSTANDING CLAIM

On 5 June 2017, a supplier of the Group (the "Supplier") initiated a legal proceeding in Singapore in respect of an alleged breach of contract for supply of tower crane accessories on the part of the Group. The Supplier claimed the Group for outstanding rental payable balances of approximately S$55,000 (equivalent to approximately HK$323,000) and losses and damages of approximately S$73,000 (equivalent to approximately HK$429,000) resulting from the alleged breach of contract (the "Dispute"). Meanwhile, the Group had filed a counterclaim for the loss of income of approximately S$42,000 (equivalent to approximately HK$247,000) as a result of the termination of contract.

On 16 June 2017, the Group offered to settle the Dispute by payment of a sum of S$56,000 (equivalent to approximately HK$329,000), interest on such sum at the rate of 5.33% per annum from 5 June 2017 until actual settlement and costs and reasonable disbursements to be agreed or taxed.

Subsequent to the reporting date, on 27 February 2018, the Group and the Supplier had come to the conclusion to the terms of the settlement in the mediation in the Court Dispute Resolution Centre, in which, the Group paid S$80,000 (equivalent to approximately HK$470,000) to the Supplier, being the agreed full and final settlement of the claim and presented a letter of recommendation to the Supplier on 5 March 2018. Furthermore, the Supplier had filed the Supplier's notice of discontinuance for their claim on 14 March 2018; and the Group had filed the Group's notice of discontinuance of the counterclaim on 15 March 2018.

As at 31 December 2017, an aggregate amount of S$80,000 (equivalent to approximately HK$470,000), being the agreed full and final settlement of the claim, was included in accruals and the Directors consider that the provision made in respect of the outstanding amount of the legal costs of the Dispute is adequate.

47. CREDIT FACILITY

On 14 December 2017 (the "Agreement Date"), a subsidiary of the Group entered into a unsecured loan facility letter with an independent third party (the "Lender") in relation to the provision of loan facility of HK$35,000 000 bearing interest at the rate of one-month Hong Kong Interbank Offered Rate plus 4.5% per annum (the "Facility"). As stated in the loan facility letter, the conditions precedent are inserted for the sole benefit of the Lender and may be waived in with or without conditions by the Lender without prejudicing its right to require fulfilment of such other conditions at any time thereafter. Drawdown under the Facility (the "Loan") may be made at any time from the Agreement Date upon request of the Group. The Loan, if drawn, will be used as general working capital and due for repayment on 12 months upon date on each notice to be given by the Group requesting the advance of the Loan, or such other date as agreed in writing between the Group and the Lender. Subsequent to the reporting date, on 26 January 2018, HK$15,000,000 was drawn down by a subsidiary of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

48. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, to maintain an optimal capital structure to reduce the cost of capital and to support the Group's stability and growth. The Group actively and regularly reviews and manages its capital structure, taking into consideration the future capital requirements of the Group, to ensure optimal shareholder returns.

The Group monitors capital using a gearing ratio, which is net debts divided by total capital. Total debts are calculated as the sum of carrying amounts of bank borrowings, other loans payables, bonds payable, promissory note payable and finance lease payables as shown in the consolidated statement of financial position. The Group aims to maintain the gearing ratio at a reasonable level.

	2017	2016
	HK$'000	HK$'000
Bank borrowings	**18,273**	40,860
Other loans payables	**–**	5,151
Bonds payable	**77,803**	41,681
Promissory note payable	**–**	89,477
Finance lease payables	**82,025**	95,550
Total debts	**178,101**	272,719
Total equity	**495,957**	377,847
Total debt to equity ratio	**0.4**	0.7

FIVE-YEAR FINANCIAL SUMMARY

CONSOLIDATED RESULTS

	For the year ended 31 December				
	2013 HK$'000 (re-presented)	2014 HK$'000 (re-presented)	2015 HK$'000 (re-presented)	2016 HK$'000 (re-presented)	**2017** **HK$'000**
Continuing operations					
Revenue	281,882	249,842	173,846	156,160	**206,805**
Cost of sales and services	(148,654)	(122,165)	(90,488)	(83,738)	**(98,782)**
Gross profit	133,228	127,677	83,358	72,422	**108,023**
Profit/(loss) before tax	11,132	(11,816)	(43,065)	(66,861)	**(9,926)**
Income tax (expense)/credit	(2,187)	(431)	1,368	2,599	**1,924**
Profit/(loss) for the year from continuing operations	8,945	(12,247)	(41,697)	(64,262)	**(8,002)**
Discontinued operation					
(Loss)/profit for the year from discontinued operation	(8)	1,064	(372)	(7,888)	**319**
Profit/(loss) for the year	8,937	(11,183)	(42,069)	(72,150)	**(7,683)**
Profit/(loss) for the year and attributable to owners of the Company					
— Continuing operations	9,262	(12,143)	(41,663)	(64,255)	**(47,768)**
— Discontinued operation	(8)	1,064	(372)	(7,888)	**319**
Earnings/(loss) per share from continuing and discontinued operations					
— Basic and diluted (HK cents)	1.16	(1.38)	(5.25)	(8.25)	**(4.89)**
Earnings/(loss) per share from continuing operations					
— Basic and diluted (HK cents)	1.16	(1.52)	(5.21)	(7.35)	**(4.92)**

Note: Certain comparative figures have been re-presented to reflect the results of the discontinued operation separately.

FIVE-YEAR FINANCIAL SUMMARY

CONSOLIDATED ASSETS AND LIABILITIES

	As at 31 December				
	2013 HK$'000	2014 HK$'000	2015 HK$'000	2016 HK$'000	**2017** **HK$'000**
Non-current assets	442,991	420,211	371,591	619,371	**586,257**
Current assets	331,160	261,668	221,509	343,220	**234,419**
Current liabilities	(376,074)	(245,691)	(349,485)	(281,901)	**(248,378)**
Net current (liabilities)/assets	(44,914)	15,977	(127,976)	61,319	**(13,959)**
Total assets less current liabilities	398,077	436,188	243,615	680,690	**572,298**
Non-current liabilities	(190,905)	(245,385)	(101,375)	(302,843)	**(76,341)**
Net assets/total equity	207,172	190,803	142,240	377,847	**495,957**
Total debt to equity ratio	1.8	1.7	1.8	0.7	**0.4**